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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES, LLC DBA JOHNSON
UTILITIES COMPANY FOR AN INCREASE
IN ITS WATER AND WASTEWATER RATES
FOR CUSTOMERS WITHIN PINAL
COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony of Jeffrey M. Michlik (Water and Wastewater) and Marlin Scott, Jr. of the Utilities Division in the above-referenced docket.

RESPECTFULLY SUBMITTED this 31st day of March, 2009.

Nancy Scott

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Arizona Corporation Commission
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SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

MARLIN SCOTT JR

DOCKET NO. WS-02987A-08-0180

**IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES, L.L.C., FOR AN INCREASE
IN ITS WATER AND WASTEWATER RATES FOR
CUSTOMERS WITHIN PINAL COUNTY, ARIZONA**

MARCH 31, 2009

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
JOHNSON UTILITIES, L.L.C., FOR AN)
INCREASE IN ITS WATER AND)
WASTEWATER RATES FOR CUSTOMERS)
WITHIN PINAL COUNTY, ARIZONA)
_____)

DOCKET NO. WS-02987A-08-0180

WATER DIVISION

SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 31, 2009

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**EXECUTIVE SUMMARY
JOHNSON UTILITIES, LLC
WATER DIVISION
DOCKET NO. WS-02987A-08-0180**

Staff's surrebuttal testimony recommends revised rates that would decrease operating revenues by \$3,068,300 to produce operating revenues of \$10,104,599 resulting in operating income of \$1,013,244 or a 23.29 percent decrease from test year revenues of \$13,172,899. Staff also recommends a revised Fair Value Rate Base of negative \$15,633,302.

Revenue Requirement

Staff recommends its revised revenue requirement, revised revenue decrease, and revised percentage of revenue decrease.

Rate Base

Staff recommends a revised rate base, responds to the Company's comments to Staff's plant in service adjustments, and further comments on why Staff continues to recommend the disallowance of some of the plant in service items.

Income Statement

Staff responds to the Company's comments on income taxes and the Central Arizona ground water replenishment district expense.

Rate Design

Staff recommends a revised rate design and the effects it will have on water customers.

Recommendation

Staff recommends approval of its rates and charges as depicted on Schedule JMM-W26.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Jeffrey M. Michlik who filed direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff, to the rebuttal testimony of Johnson Utilities, LLC ("Company") witnesses, Mr. Thomas J. Bourassa and Mr. Brian Tompsett, regarding revenue requirement, rate base, operating revenues and expenses, and rate design.

Q. Did you attempt to address every issue the Company raised in its rebuttal testimony?

A. No. Staff limited its discussion to the specific issues as outlined below. Staff's lack of response to any issue in this proceeding should not be construed as agreement with the Company's position in its rebuttal testimony; rather where there is no response, Staff relies on its original direct testimony.

Q. Please explain how Staff's surrebuttal testimony is organized.

A. Staff's surrebuttal testimony is generally organized to present issues that both Mr. Bourassa and Mr. Tompsett present in their rebuttal testimonies.

REVENUE REQUIREMENT

Q. Has Staff reviewed Mr. Bourassa's and Mr. Tompsett's rebuttal testimony regarding revenue requirement?

A. Yes.

Q. Please summarize the proposed and recommended revenue requirement, revenue decrease, and percentage decrease.

A. The proposed and recommended revenue requirement, revenue decrease, and percentage decrease are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Decrease</u>	<u>Percentage Decrease</u>
Company-Direct	\$10,940,829	(\$2,232,070)	-16.94 percent
Staff-Direct	\$11,037,399	(\$2,135,500)	-16.21 percent
RUCO-Direct	\$11,219,234	(\$1,953,664)	-14.83 percent
Company-Rebuttal	\$10,293,877	(\$2,879,022)	-21.86 percent
Staff-Surrebuttal	\$10,104,599	(\$3,068,300)	-23.29 percent

RATE BASE

Q. Has Staff reviewed Mr. Tompsetts's and Mr. Bourassa's rebuttal testimony regarding rate base?

A. Yes.

Q. Would Staff please identify each party's respective rate base recommendations?

A. Yes. The rate bases proposed and recommended by all parties in the case are as follows:

	<u>OCRB</u>	<u>FVRB</u>
Company-Direct	\$6,607,841	\$6,607,841
Staff-Direct	(\$19,240,859)	(\$19,240,859)
RUCO-Direct	\$285,272	\$285,272
Company Rebuttal	\$3,539,562	\$3,539,562
Staff Surrebuttal	(\$15,633,302)	(\$15,633,302)

Q. Are there any adjustments to plant in service that Staff did not make in direct testimony, but would like to make now for the water division?

A. Yes, for the plant that Staff determined to be: 1) not used and useful, or 2) having excess capacity. Staff had not made a corresponding adjustment to Advances-in-Aid of Construction ("AIAC") or Contributions-in-Aid of Construction ("CIAC") for these plant adjustments. These amounts are temporary adjustments to the Company's rate base, as the Company will receive a return on the plant investments in the next rate case if it can provide Staff with adequate supporting source documentation (i.e. invoices) to substantiate these plant amounts, as well as providing evidence that the plant is then used and useful or no longer excess capacity.

Q. Why did Staff not make this adjustment in its direct testimony?

A. Staff was unable to make the corresponding adjustment to AIAC or CIAC, because the Company did not adequately identify these amounts until the information was provided in its rebuttal testimony.

1 **Q. Based on Mr. Bourassa's rebuttal testimony at pages 12 and 13, was the Company**
2 **able to correlate the amount of AIAC and CIAC associated with Staff disallowance**
3 **of plant in the amount of \$4,127,019 that was deemed to be not used and useful?**

4 A. Yes, of the \$4,127,019 that Staff disallowed, the Company states that \$1,321,472 was
5 funded with AIAC and \$1,217,638 was funded with CIAC. The remaining balance of
6 \$1,587,909, Staff assumes to be funded with equity.

7
8 **Q. Did the Company provide supportive documentation for these amounts?**

9 A. The Company did not provide Staff with supporting documentation for these amounts as
10 the Company provided no invoices. However, Staff has accepted these adjustments to
11 remove \$1,321,472 from AIAC and \$1,217,638 from CIAC based on the Company's
12 representation only. This adjustment is reflected in Staff Schedule JMM-W4.

13
14 **Q. Based on Mr. Bourassa's rebuttal testimony at page 14, was the Company able to**
15 **correlate the amount of AIAC and CIAC associated with Staff disallowance of plant**
16 **in the amount of \$1,127,065 that was deemed to be excess capacity?**

17 A. Yes. Of the \$1,127,065 Staff disallowed, the Company states that \$1,127,065 was funded
18 from CIAC. The Company did not provide Staff with supporting documentation for these
19 amounts as the Company provided no invoices. However, Staff has accepted this
20 adjustment to remove \$1,127,065 from CIAC based on the Company's representation
21 only. This adjustment is reflected in Staff Schedule JMM-W5.

22

1 **A. PLANT RECLASSIFICATION**

2 **Q. Please address Mr. Bourassa's statement on page 13 of his rebuttal testimony that,**
3 **"Mr. Michlik appears to use figures which do not match those in Table H-2 upon**
4 **which Mr. Michlik relied?" Is that correct?**

5 **A. Yes. If Staff were to remove the amount recommended in Table H-2, it would have**
6 **resulted in a negative plant balance for that plant item due to Staff's numerous**
7 **adjustments to rate base. Therefore, Staff removed only \$141,233, providing a net balance**
8 **of zero.**

9
10 **B. UNEXPENDED HOOK-UP FEES (CIAC)**

11 **Q. On the issue of unexpended Hook-up Fees ("HUFs"), does Staff have any comments?**

12 **A. Yes. Staff addressed most of the issues in direct testimony, but would like to comment on**
13 **the Company's rebuttal response.**

14
15 **Q. Do you agree with Mr. Bourassa's statement on page 18 of his rebuttal testimony**
16 **that, "under a typical approach, a utility builds capacity in advance and then collects**
17 **HUF's individually upon each new connection."**

18 **A. Yes.**

19
20 **Q. How does the Company state it collects HUFs?**

21 **A. The Company States on page 15 that HUFs are collected "well in advance of providing**
22 **service to the customers for whom the HUF is credited." The Company further states on**
23 **page 17, that, if a developer has paid a HUF, "a customer lot is covered regardless of**
24 **when the customer connects. That could be one to two years out into the future,**

1 depending on the collection schedule of HUFs made by agreement between the Company
2 and the developers(s).”

3
4 **Q. Does the Company’s methodology differ from that of other water and wastewater**
5 **utilities?**

6 A. Yes, for some, Commission-regulated water and wastewater utilities build new capacity
7 plant first and collect HUFs later when customers connect to the system. By collecting
8 HUFs in this manner, the money they invest in the new plant is advanced by the utility
9 until a sufficient number of customers hook up to the system. The Company’s method of
10 collecting hook-up fees, avoids advancing funds because the Company is not obligated to
11 build new plant (i.e. expend money) unless it has HUF funds to do so.

12
13 **Q. Does the Company’s argument warrant departure from the Commission’s typical**
14 **treatment of CIAC?**

15 A. No, it does not. The removal of CIAC from rate base is not warranted as you cannot
16 remove the collection of the HUFS from rate base.

17
18 **C. AFFILIATE PROFIT TIMELINE**

19 **Q. On page 5 of the Company’s rebuttal testimony, Mr. Bourassa states that Staff’s**
20 **profit percentage is grossly overstated, please explain how Staff derived this**
21 **percentage.**

22 A. This percentage was based on Company responses to Staff data requests, which will be
23 explained in more depth below.

1 **Q. Did Staff ask if the Company had affiliate profit?**

2 A. Yes. In Staff data request 1.18.

3
4 **Q. What was the Company's response?**

5 A. The Company's response was as follows:

6 *"No specific profit component has been added to the office rent*
7 *rates or the effluent recharge pond lease rate. The rent rates and*
8 *lease rate are based on fair market values. The profit component*
9 *on the payments Johnson Utilities receives from Central Arizona*
10 *Solid Waste for water service is being determined in the course of*
11 *this rate case."*

12
13 **Q. What was the Company's response to Staff data request JMM 4-1?**

14 A. The Company stated that the affiliates included a profit and overhead percentage in their
15 contracts that ranged from 5 to 10 percent, but provided no supporting documentation of
16 how the 5 to 10 percent mark-up was calculated.

17
18 **Q. Did Staff ask the Company to identify all contracts in which the profit percentage**
19 **was under 10 percent?**

20 A. Yes. See Staff data request JMM 6-6.

21
22 **Q. What information did the Company provide to Staff?**

23 A. The Company stated in its response that AIAC contracts contained an overhead
24 component and a profit component. The combination of the overhead component and the
25 profit component is always 10 percent or less of the total construction contract price. The

1 Company does not include anything that would be described as an "overhead profit" in its
2 construction contracts.

3
4 **Q. What did Staff ask for in Staff data request JMM 9-2.**

5 A. Staff requested electronic copy(ies) of the Company's (with formulas intact) work papers
6 used to estimate affiliate profit by year and by plant item.

7
8 **Q. What was the Company's response?**

9 A. Regarding the 10 percent mark-up, the Company responded that it only adds 2 percent
10 profit and the other 8 percent is overhead. The Company then used 1.75 percent, the 2
11 percent less the sales tax, and applied this to all projects the Company claims the affiliate
12 constructed.

13
14 **Q. What did Company witness Mr. Bourassa say regarding Staff's disallowance of**
15 **overhead or profit?**

16 A. Mr. Bourassa on page 5, of his rebuttal testimony, states that the profit percentage of 7.5
17 percent is grossly overstated.

18
19 **Q. In Staff's direct testimony, did it recommend disallowance of overhead or profit?**

20 A. Yes.

21
22 **Q. What is Staff's basis for disallowance?**

23 A. Although Staff recognizes each case stands on its own, Staff relied on Decision No.
24 69335, in which the Commission considered all of that utility's mark-up as overhead. In

1 that case, as in this case, the utility could not provide supporting source documentation for
2 its overhead costs.

3
4 **D. STAFF'S APPLICATION OF THE 7.5 PERCENT DISALLOWANCE ON**
5 **ALL PLANT**

6 **Q. Why did Staff decide to apply 7.5 percent to all plant, not just on the amount the**
7 **Company claimed to be plant constructed by affiliates?**

8 A. In response to data request JMM 9-2, the Company provided canceled checks and bank
9 statements showing electronic transfers to provide support for payments made for plant.
10 Staff reviewed the canceled checks and bank statements and found that payments were
11 made to a Company affiliate.

12
13 **Q. Was Staff's 7.5 percent disallowance reasonable?**

14 A. Yes. Staff reviewed the documentation provided in response to Staff's data requests.
15 Some of the documentation provided by the Company conflicted with statements made by
16 the Company. Also, the weight of the audit evidence indicated that the Company did not
17 maintain records in accordance with Commission rules and the National Association of
18 Regulatory Utility Commissioners Uniform System of Accounts; therefore, Staff could not
19 rely on financial information proffered by the Company unless it was adequately
20 supported with underlying source documentation. Given that all the checks and bank
21 statements indicated affiliates were involved in constructing the plant and given that the
22 Company could not adequately document its break-out of what was profit and what was
23 overhead, a 7.5 percent disallowance was reasonable. Further, the 7.5 percent is fair and
24 reasonable as most of the contracts Staff reviewed in response to data request JMM 7-1

1 included a mark-up of 10 percent; whereas, only a few of the contracts had a markup of 5
2 percent.

3
4 **Q. Based on all of the documentation that the Company provided, what are Staff's**
5 **conclusions?**

6 A. The Company used affiliates to construct approximately all plant after 1998.

7
8 **Q. Has the Company provided documentation that any major construction did not**
9 **include an affiliate?**

10 A. No, not for any construction since 1998.

11
12 **Q. Please comment on Mr. Bourassa's statement on page 7 of his rebuttal testimony,**
13 **"Even if it were to be found that there was profit of 7.5 percent, I would only apply it**
14 **to the base contract costs. Following a similar analysis as above, the correct**
15 **percentage to apply to the total contract cost would be only 6.7 percent."**

16 A. While Mr. Bourassa may be correct in correlating the 7.5 percent profit on total costs to
17 6.7 percent profit on net contract costs, Staff would also point out that, following Mr.
18 Bourassa's methodology, if the base contract were \$100 and taxes were 4.00 percent, then
19 the percentage required for a 10 percent mark-up would be 8.8 percent (i.e. 10/114).

20
21 **Q. Why did Staff choose to use 7.5 percent as the appropriate adjustment?**

22 A. In response to various Staff data requests the Company's documentation indicated that
23 some contracts contained a 5 percent mark-up, while most of the contracts viewed by Staff
24 indicated a 10 percent mark-up. Staff believed setting the adjustment at the mid-point was
25 appropriate in its direct testimony.

1 **Q. In light of Mr. Bourassa's rebuttal testimony and the above information, does Staff**
2 **believe a change in the percentage of the adjustment is necessary?**

3 A. No. Staff believed that 7.5 percent was appropriate as the mid-point of the range between
4 5 and 10 percent in its direct testimony. Staff continues to believe that the 7.5 percent is
5 appropriate based on the factors of the 6.7 percent (for the 7.5 percent) to 8.8 percent (for
6 the 10 percent) and the weighting towards the more prevalent 10 percent profit, as
7 confirmed in Staff's audit.

8
9 **E. AFFILIATE RECORDS**

10 **Q. Does the class or size of a utility determine the requirement to maintain and provide**
11 **adequate documentation?**

12 A. No.

13
14 **Q. Was Staff able to review an audited report of the Company's 2006 financial**
15 **statements?**

16 A. Yes.

17
18 **Q. What did Staff note in the audit report?**

19 A. Note 3 to the financial statements, in regards to related parties, states that the affiliate
20 "contracts to perform substantially all of the water and sewer system construction for the
21 Company." (Emphasis added).

1 **F. PLANT ADDITIONS TIMELINE**

2 **Q. Did Staff ask the Company several times for plant documentation?**

3 A. Yes. Staff requested plant documentation on Staff's data requests JMM 1-43, 1-44, 4-2, 7-
4 1, 7-2, 8-7, 8-8, 9-1, and 10-11. During the course of the audit, Staff sent additional data
5 requests attempting to obtain the information that the Company was not providing to Staff.
6 Some of the Company's responses were vague or non-responsive which in turn, resulted
7 in more data requests. The Company's untimely response time also impeded Staff's
8 ability to conduct certain audit procedures in a timely manner.

9
10 **G. STAFF DISALLOWANCE OF 10 PERCENT OF PLANT ITEMS**

11 **Q. Do you agree with Mr. Bourassa's statements that a corresponding adjustment must**
12 **be made to AIAC and CIAC in relation to Staff's disallowance of plant and that to**
13 **ignore these corresponding adjustments creates a mismatch and results in an**
14 **understatement of rate base?**

15 A. No, not in this case, as the Company has insufficient records to support its plant.

16
17 **Q. Where should the Company make the corresponding adjustment, or match, for**
18 **Staff's reduction in plant.**

19 A. The Company should lower its equity, as Staff is recommending a permanent
20 disallowance of 10 percent in the Company's plant balances.

21
22 **Q. What does the 2006 audited financial report state about the Company's plant**
23 **records?**

24 A. "Because of the inadequacy of accounting records for the years prior to 2006, we were
25 unable to form an opinion regarding the amounts at which utility plant in service and

1 accumulated depreciation are recorded in the accompanying balance sheet at December
2 31, 2006, (stated at \$168,974,434 and \$8,930,075, respectively), or the amount of
3 depreciation expense for the year then ended (stated at \$1,799,271).”
4

5 **Q. Is this consistent with Staff's findings?**

6 **A. Yes.**
7

8 **Q. Is there anything else that Staff noticed that was unusual about the 2006 independent**
9 **auditors report?**

10 **A. Yes.** The plant in service balance at December 31, 2006, on a consolidated basis, was
11 \$168,974,434; but on the Company's application schedule B-2 for the water division the
12 balance was \$74,017,063, and for the wastewater division the balance was \$110,554,091.
13 This adds to a combined total of \$184,571,154 which is \$15,596,720 (i.e. 184,571,154 -
14 168,974,434) higher than the auditors report.
15

16 **INCOME STATEMENT**

17 **H. CENTRAL ARIZONA GROUND WATER REPLENISHMENT DISTRICT**
18 **("CAGRD") EXPENSES**

19 **Q. Has Staff changed its recommendation regarding CAGRD expenses and whether it is**
20 **appropriate as a pass-through tax to rate payers?**

21 **A. Not yet.** Staff is discussing the issue with CAGRD and has not yet made any
22 determination.
23

1 **Q. What is Staff's position?**

2 A. Staff is in the process of doing additional research on this matter, therefore, Staff will
3 provide a supplemental response on the CAGR D issue at a later date, but prior to the
4 hearing. For purposes of the surrebuttal schedules, Staff has removed the CAGR D
5 expenses from operating expenses.

6

7 **I. INCOME TAXES**

8 **Q. Did Staff address the removal of income taxes in direct testimony?**

9 A. Yes.

10

11 **Q. On page 27 of his rebuttal testimony, Mr. Tompsett states, "If the Company was a**
12 **subchapter "C" corporation, there would be no question that income taxes should**
13 **properly be included in the expense of the Company. Under that scenario, the rates**
14 **paid by customers would appropriately reflect the inclusion of income tax expense."**

15 **Does Staff agree with that statement?**

16 A. Yes.

17

18 **Q. Please respond to Mr. Tompsett's statement on page 26 of his rebuttal testimony that**
19 **"the removal of income taxes from the expenses of a limited liability company**
20 **discriminates against customers of subchapter "C" corporations."**

21 A. Staff does not agree.

22

23 **Q. Can a limited liability company elect to be taxed as subchapter "C" corporation?**

24 A. Yes.

25

1 **Q. So the Company, if it chose, could have elected to be taxed as a subchapter "C"**
2 **corporation, and included income taxes as assessed by the Internal Revenue Service**
3 **in this rate case?**

4 A. Yes, but then Staff would have to review the reasons why such election was made and
5 make appropriate recommendations.

6
7 **Q. Did Staff ask for a copy of the Tax Allocation and Reimbursement Agreement ("Tax**
8 **Agreement")?**

9 A. Yes.

10
11 **Q. So it is not an agreement between the rate payers and the LLC members of the**
12 **Company?**

13 A. No, it is not.

14
15 **DISCONTINUANCE OF HOOK-UP FEES**

16 **Q. Did Staff address the discontinuance of Hook-up Fees in direct testimony?**

17 A. Yes.

18
19 **Q. Would Staff like to add additional comments?**

20 A. Yes. Due to the Company's inadequate accounting records, Staff now recommends that,
21 in the future, a Certified Public Accounting firm attest to the Company's membership
22 equity level of 40 percent in order for the Company to reapply for HUFs.

23

1 **RATE DESIGN**

2 **Q. Has Staff's rate design changed as a result of some of the Company's rebuttal**
3 **testimony?**

4 **A. Yes, Staff has provided a revised rate design. See Schedule JMM-WW26.**

5
6 **Q. What is the rate impact on a ¾-inch meter residential customer using a median**
7 **consumption of 6,000 gallons?**

8 **A. The ¾-inch meter residential customer would experience a \$8.22 or 20.30 percent**
9 **decrease in their monthly bill, from \$40.50 to \$32.28, under the Company's proposed rates**
10 **and a \$13.00 or 32.10 percent decrease in their monthly bill, from \$40.50 to \$27.50, under**
11 **Staff's recommended rates.**

12
13 **Q. Does this conclude your surrebuttal testimony?**

14 **A. Yes, it does.**

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1					
2	Adjusted Rate Base	\$ 6,607,841	\$ 6,607,841	\$ (15,633,302)	\$ (15,633,302)
3					
4	Adjusted Operating Income (Loss)	\$ 2,118,161	\$ 2,118,161	\$ 4,013,281	\$ 4,013,281
5					
6	Staff Recommended Operating Income	N/A	N/A	\$ 1,010,504	\$ 1,010,504
7					
8	Current Rate of Return (L4 / L2)	32.06%	32.06%	N/A	N/A
9					
10	Required Rate of Return	10.43%	10.43%	N/A	N/A
11					
12	Required Operating Income (L2 * L10)	\$ 689,198	\$ 689,198	N/A	N/A
13					
14	Operating Income Deficiency (L4 - L12)	\$ (1,428,963)	\$ (1,428,963)	N/A	N/A
15					
16	Gross Revenue Conversion Factor	1.5620	1.5620	1.00000	1.0000
17					
18	Required Revenue Increase/Decrease	\$ (2,232,070)	\$ (2,232,070)	\$ (3,068,300)	\$ (3,068,300)
19					
20	Adjusted Test Year Revenue	\$ 13,172,899	\$ 13,172,899	\$ 13,172,899	\$ 13,172,899
21					
22	Proposed Annual Revenue	\$ 10,940,829	\$ 10,940,829	\$ 10,104,599	\$ 10,104,599
23					
24	Required Increase/Decrease in Revenue (%)	-16.94%	-16.94%	-23.29%	-23.29%
25					
26	Required Operating Margin	N/A	N/A	10.00%	10.00%

References:

Columns [A] and [B]: Company Schedules A-1, A-2, & D-1

Columns [C] and [D]: STAFF Schedules JMM-W2, JMM-W3 and JMM-W16

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 79,591,151	\$ (19,182,535)	\$ 60,408,616
2	Less: Accumulated Depreciation	6,199,124	(1,314,871)	4,884,253
3	Net Plant in Service	<u>\$ 73,392,027</u>	<u>\$ (17,867,665)</u>	<u>\$ 55,524,362</u>
4				
5	<u>LESS:</u>			
6				
7	Advances in Aid of Construction (AIAC)	\$ 37,840,520		\$ 36,519,048
8				
9	Service Line and Meter Advances		\$ 6,779,771	\$ 6,779,771
10				
11	Contributions in Aid of Construction (CIAC)	\$ 25,004,821	\$ 4,586,375	\$ 29,591,196
12	Less: Accumulated Amortization	1,858,537	251,952	2,110,489
13	Net CIAC	<u>23,146,284</u>	<u>4,334,423</u>	<u>27,480,707</u>
14				
15	Total Advances and Contributions	60,986,804		70,779,526
16				
17	Customer Meter Deposits	6,779,771	(6,401,633)	378,138
18				
19	<u>ADD:</u>			
20				
21	Materials and Supplies	348,852	(348,852)	-
22				
23	Deferred Assets	633,537	(633,537)	-
24				
25	Original Cost Rate Base	<u>\$ 6,607,841</u>	<u>\$ (22,241,143)</u>	<u>\$ (15,633,302)</u>

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED B-2	(B) ADJ #1 Used and Useful	(C) ADJ #2 Excess Capacity	(D) ADJ #3 Plant Reclass	(E) ADJ #4 Inadequate Support	(F) ADJ #5 Affiliate Profit	(G) ADJ #6 Accum Deprec	(H) ADJ #7 Service Line Reclass
<u>PLANT IN SERVICE:</u>										
1	301.00	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302.00	Franchise Cost	-	-	-	-	-	-	-	-
3	303.00	Land and Land Rights	272,438	-	-	-	(27,244)	(20,433)	-	-
4	304.00	Structures and Improvements	9,482,165	-	-	(6,388,222)	(948,217)	(711,162)	-	-
5	305.00	Collecting and Impounding Res.	-	-	-	-	-	-	-	-
6	306.00	Lake River and Other Intakes	-	-	-	-	-	-	-	-
7	307.00	Wells and Springs	5,226,030	(2,052,564)	(433,238)	-	(522,603)	(391,952)	-	-
8	308.00	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
9	309.00	Supply Mains	-	-	-	-	-	-	-	-
10	310.00	Power Generation Equipment	-	-	-	-	-	-	-	-
11	311.00	Electric Pumping Equipment	784,111	-	-	-	(76,411)	(57,308)	-	-
12	320.00	Water Treatment Equipment	21,856	-	-	-	(2,186)	(1,639)	-	-
13	330.00	Distribution Reservoirs & Standpipe	248,272	-	(693,827)	7,259,834	(24,827)	(18,620)	-	-
14	331.00	Transmission and Distribution Mains	53,432,585	(2,074,455)	-	(871,612)	(5,343,259)	(4,007,444)	-	-
15	333.00	Services	527,473	-	-	-	(52,747)	(39,560)	-	-
16	334.00	Meters	6,068,503	-	-	-	(606,850)	(455,138)	-	-
17	335.00	Hydrants	3,547,718	-	-	-	(354,772)	(266,079)	-	-
18	336.00	Backflow Prevention Devices	-	-	-	-	-	-	-	-
19	339.00	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-
20	340.00	Office Furniture and Fixtures	-	-	-	-	-	-	-	-
21	341.00	Transportation Equipment	-	-	-	-	-	-	-	-
22	342.00	Stores Equipment	-	-	-	-	-	-	-	-
23	343.00	Tools and Work Equipment	-	-	-	-	-	-	-	-
24	344.00	Laboratory Equipment	-	-	-	-	-	-	-	-
25	345.00	Power Operated Equipment	-	-	-	-	-	-	-	-
26	346.00	Communications Equipment	-	-	-	-	-	-	-	-
27	347.00	Miscellaneous Equipment	-	-	-	-	-	-	-	-
28	348.00	Other Tangible Plant	-	-	-	-	-	-	-	-
29		Plant Held for Future Use	-	-	-	-	-	-	-	-
30		Subtotal Water Plant	\$ 79,591,151	\$ (4,127,019)	\$ (1,127,065)	\$ -	\$ (7,959,115)	\$ (5,969,336)	\$ -	\$ -
31										
32		Less: Accumulated Depreciation - Actual	\$ 6,065,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,314,871)	\$ -
33		Less: Accumulated Depreciation - Pro Forma	133,214	-	-	-	-	-	-	-
34		Total Accumulated Depreciation - Adjusted	\$ 6,199,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,314,871)	\$ -
35		Net Plant in Service (L32 - L33)	\$ 73,392,027	\$ (4,127,019)	\$ (1,127,065)	\$ -	\$ (7,959,115)	\$ (5,969,336)	\$ 1,314,871	\$ -
36		LESS:								
37		Advances in Aid of Construction (AMC)	\$ 37,840,520	\$ (1,321,472)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38										
39		Service Line and Meter Advances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,779,771
40										
41		Contributions in Aid of Construction (CIAC)	\$ 31,935,899	\$ (1,217,638)	\$ (1,127,065)	\$ -	\$ -	\$ -	\$ -	\$ -
42		Less: CIAC - Pro Forma	(6,931,078)	-	-	-	-	-	-	-
43		Total CIAC - Adjusted	\$ 25,004,821	\$ (1,217,638)	\$ (1,127,065)	\$ -	\$ -	\$ -	\$ -	\$ -
44										
45		Less: Accumulated Amortization	\$ 1,858,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46		Less: Accumulated Amort - Pro Forma	-	-	-	-	-	-	-	-
47			1,858,537	-	-	-	-	-	-	-
48										
49		Net CIAC	23,146,294	(1,217,638)	(1,127,065)	-	-	-	-	-
50										
51		Total Advances and Net Contributions	60,986,804	(2,538,110)	(1,127,065)	-	-	-	-	6,779,771
52										
53		Customer Security Deposits	6,779,771	-	-	-	-	-	-	-
54										
55										
56		ADD:								
57		Materials and Supplies	\$ 348,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
58		Deferred Assets	\$ 633,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59										
60		Original Cost Rate Base	\$ 6,607,841	\$ (1,587,909)	\$ -	\$ -	\$ (7,959,115)	\$ (5,969,336)	\$ 1,314,871	\$ (6,779,771)

References:
Column (A): Company Application
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT NO.	DESCRIPTION	(J) ADJ #8 Unexpended CIAC	(K) ADJ #9 Amort of CIAC	(L) ADJ #10 Customer Deposits	(M) ADJ #11 Materials and Supplies	(N) ADJ #12 Deferred Assets	(O) STAFF ADJUSTED Total
PLANT SERVICE:								
1	301.00	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302.00	Franchise Cost	-	-	-	-	-	-
3	303.00	Land and Land Rights	-	-	-	-	-	224,761
4	304.00	Structures and Improvements	-	-	-	-	-	1,434,564
5	305.00	Collecting and Impounding Res.	-	-	-	-	-	-
6	306.00	Lake River and Other Intakes	-	-	-	-	-	-
7	307.00	Wells and Springs	-	-	-	-	-	1,825,673
8	308.00	Infiltration Galleries and Tunnels	-	-	-	-	-	-
9	309.00	Supply Mains	-	-	-	-	-	-
10	310.00	Power Generation Equipment	-	-	-	-	-	630,392
11	311.00	Electric Pumping Equipment	-	-	-	-	-	18,031
12	320.00	Water Treatment Equipment	-	-	-	-	-	6,770,831
13	330.00	Distribution Reservoirs & Standpipe	-	-	-	-	-	41,135,816
14	331.00	Transmission and Distribution Mains	-	-	-	-	-	435,165
15	333.00	Services	-	-	-	-	-	5,006,515
16	334.00	Meters	-	-	-	-	-	2,926,867
17	335.00	Hydrants	-	-	-	-	-	-
18	336.00	Backflow Prevention Devices	-	-	-	-	-	-
19	339.00	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-
20	340.00	Office Furniture and Fixtures	-	-	-	-	-	-
21	341.00	Transportation Equipment	-	-	-	-	-	-
22	342.00	Stores Equipment	-	-	-	-	-	-
23	343.00	Tools and Work Equipment	-	-	-	-	-	-
24	344.00	Laboratory Equipment	-	-	-	-	-	-
25	345.00	Power Operated Equipment	-	-	-	-	-	-
26	346.00	Communications Equipment	-	-	-	-	-	-
27	347.00	Miscellaneous Equipment	-	-	-	-	-	-
28	348.00	Other Tangible Plant	-	-	-	-	-	-
29		Plant Held for Future Use	-	-	-	-	-	-
30		Subtotal Water Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,408,616
31		Less: Accumulated Depreciation - Actual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,751,039
32		Less: Accumulated Depreciation - Pro Forma	\$ -	\$ -	\$ -	\$ -	\$ -	133,214
33		Total Accumulated Depreciation - Adjusted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,884,253
34		Net Plant in Service (L32 - L33)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,524,362
35		LESS:						
36		Advances in Aid of Construction (AIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,519,048
37		Service Line and Meter Advances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,779,771
38		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,591,196
39		Less: CIAC - Pro Forma	\$ -	\$ -	\$ -	\$ -	\$ -	29,591,196
40		Total CIAC - Adjusted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,110,489
41		Less: Accumulated Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	2,110,489
42		Less: Accumulated Amort - Pro Forma	\$ -	\$ -	\$ -	\$ -	\$ -	27,480,707
43		Net CIAC	\$ -	\$ -	\$ -	\$ -	\$ -	70,779,526
44		Total Advances and Net Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	378,138
45		Customer Security Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	-
46		ADD:						
47		Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	-
48		Deferred Assets	\$ -	\$ -	\$ -	\$ -	\$ -	-
49		Original Cost Rate Base	\$ (6,931,078)	\$ 251,952	\$ 6,401,633	\$ (348,852)	\$ (633,537)	\$ (15,633,302)

References:
Column (A): Company Application
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			PLANT In SERVICE Per Company	PLANT NOT USED AND USEFUL	PLANT In SERVICE Per Staff (Col A + Col B)
1	301	Organization	\$ -	\$ -	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -
3	303	Land and Land Rights	\$ 272,438	\$ -	\$ 272,438
4	304	Structures and Improvements	\$ 9,482,165	\$ -	\$ 9,482,165
5	307	Wells and Springs	\$ 5,226,030	\$ (2,052,564)	\$ 3,173,466
6	311	Electric Pumping Equipment	\$ 764,111	\$ -	\$ 764,111
7	320	Water Treatment Equipment	\$ 21,856	\$ -	\$ 21,856
8	330	Distribution Reservoirs & Standpipes	\$ 248,272	\$ -	\$ 248,272
9	331	Transmission and Distribution Mains	\$ 53,432,585	\$ (2,074,455)	\$ 51,358,130
10	333	Services	\$ 527,473	\$ -	\$ 527,473
11	334	Meters	\$ 6,068,503	\$ -	\$ 6,068,503
12	335	Hydrants	\$ 3,547,718	\$ -	\$ 3,547,718
13	336	Backflow Prevention Devices	\$ -	\$ -	\$ -
14	340	Office Furniture and Equipment	\$ -	\$ -	\$ -
15	341	Transportation Equipment	\$ -	\$ -	\$ -
16	347	Miscellaneous Equipment	\$ -	\$ -	\$ -
17					
18		Total Plant	\$ 79,591,151	\$ (4,127,019)	\$ 75,464,132

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AIAC & CIAC AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Advances in Aid of Construction (AIAC)	\$ 37,840,520	\$ (1,321,472)	\$ 36,519,048
2				
3	Contributions in Aid of Construction (CIAC)	\$ 31,935,899	\$ (1,217,638)	\$ 30,718,261

References:

Column [A]: Staff Direct Testimony

Column [B]: Surrebuttal Testimony JMM

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - EXCESS CAPACITY

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			PLANT In SERVICE Per Company	EXCESS CAPACITY	PLANT In SERVICE Per Staff (Col A + Col B)
1	301	Organization	\$ -	\$ -	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -
3	303	Land and Land Rights	\$ 272,438	\$ -	\$ 272,438
4	304	Structures and Improvements	\$ 9,482,165	\$ -	\$ 9,482,165
5	307	Wells and Springs	\$ 5,226,030	\$ (433,238)	\$ 4,792,792
6	311	Electric Pumping Equipment	\$ 764,111	\$ -	\$ 764,111
7	320	Water Treatment Equipment	\$ 21,856	\$ -	\$ 21,856
8	330	Distribution Reservoirs & Standpipes	\$ 248,272	\$ (693,827)	\$ (445,555)
9	331	Transmission and Distribution Mains	\$ 53,432,585	\$ -	\$ 53,432,585
10	333	Services	\$ 527,473	\$ -	\$ 527,473
11	334	Meters	\$ 6,068,503	\$ -	\$ 6,068,503
12	335	Hydrants	\$ 3,547,718	\$ -	\$ 3,547,718
13	336	Backflow Prevention Devices	\$ -	\$ -	\$ -
14	340	Office Furniture and Equipment	\$ -	\$ -	\$ -
15	341	Transportation Equipment	\$ -	\$ -	\$ -
16	347	Miscellaneous Equipment	\$ -	\$ -	\$ -
17					
18		Total Plant	\$ 79,591,151	\$ (1,127,065)	\$ 78,464,086

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Contributions in Aid of Construction (CIAC)	\$ 31,935,899	\$ (1,127,065)	\$ 30,718,261

Johnson Utilities L.L.C. - Water Division
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Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-W6

RATE BASE ADJUSTMENT NO. 3 - PLANT RECLASSIFICATION

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			PLANT In SERVICE Per Company	PLANT RECLASSIFICATION	PLANT In SERVICE Per Staff (Col A + Col B)
1	301	Organization	\$ -	\$ -	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -
3	303	Land and Land Rights	\$ 272,438	\$ -	\$ 272,438
4	304	Structures and Improvements	\$ 9,482,165	\$ (6,388,222)	\$ 3,093,943
5	307	Wells and Springs	\$ 5,226,030	\$ -	\$ 5,226,030
6	311	Electric Pumping Equipment	\$ 764,111	\$ -	\$ 764,111
7	320	Water Treatment Equipment	\$ 21,856	\$ -	\$ 21,856
8	330	Distribution Reservoirs & Standpipes	\$ 248,272	\$ 7,259,834	\$ 7,508,106
9	331	Transmission and Distribution Mains	\$ 53,432,585	\$ (871,612)	\$ 52,560,973
10	333	Services	\$ 527,473	\$ -	\$ 527,473
11	334	Meters	\$ 6,068,503	\$ -	\$ 6,068,503
12	335	Hydrants	\$ 3,547,718	\$ -	\$ 3,547,718
13	336	Backflow Prevention Devices	\$ -	\$ -	\$ -
14	340	Office Furniture and Equipment	\$ -	\$ -	\$ -
15	341	Transportation Equipment	\$ -	\$ -	\$ -
16	347	Miscellaneous Equipment	\$ -	\$ -	\$ -
17					
18		Total Plant	\$ 79,591,151	\$ -	\$ 79,591,151

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
Docket No. WS-2987-08-0180
Test Year Ended: December 31, 2007

Surrebuttal Schedule JMM-W7

RATE BASE ADJUSTMENT NO. 4 - INADEQUATELY SUPPORTED PLANT COSTS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			PLANT In SERVICE Per Staff	RATE	AMOUNT REMOVED DUE TO INADEQUATE SUPPORT (Col A x Col B)
1	301	Organization	\$ -	10.00%	\$ -
2	302	Franchise Cost	\$ -	10.00%	\$ -
3	303	Land and Land Rights	\$ 272,438	10.00%	\$ (27,244)
4	304	Structures and Improvements	\$ 9,482,165	10.00%	\$ (948,217)
5	307	Wells and Springs	\$ 5,226,030	10.00%	\$ (522,603)
6	311	Electric Pumping Equipment	\$ 764,111	10.00%	\$ (76,411)
7	320	Water Treatment Equipment	\$ 21,856	10.00%	\$ (2,186)
8	330	Distribution Reservoirs & Standpipes	\$ 248,272	10.00%	\$ (24,827)
9	331	Transmission and Distribution Mains	\$ 53,432,585	10.00%	\$ (5,343,259)
10	333	Services	\$ 527,473	10.00%	\$ (52,747)
11	334	Meters	\$ 6,068,503	10.00%	\$ (606,850)
12	335	Hydrants	\$ 3,547,718	10.00%	\$ (354,772)
13	336	Backflow Prevention Devices	\$ -	10.00%	\$ -
14	340	Office Furniture and Equipment	\$ -	10.00%	\$ -
15	341	Transportation Equipment	\$ -	10.00%	\$ -
16	347	Miscellaneous Equipment	\$ -	10.00%	\$ -
17					
18		Total Plant	\$ 79,591,151		\$ (7,959,115)

References:

Column [A]: Company Schedule B-2, Page 2.10

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
Docket No. WS-2987-08-0180
Test Year Ended: December 31, 2007

Surrebuttal Schedule JMM-W8

OPERATING INCOME ADJUSTMENT NO. 5 - CAPITALIZED AFFILIATE PROFIT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		PLANT In SERVICE Per Staff	RATE	AMOUNT OF AFFILIATE PROFIT REMOVED (Col A x Col B)
1	301 Organization	\$ -	7.50%	\$ -
2	302 Franchise Cost	\$ -	7.50%	\$ -
3	303 Land and Land Rights	\$ 272,438	7.50%	\$ (20,433)
4	304 Structures and Improvements	\$ 9,482,165	7.50%	\$ (711,162)
5	307 Wells and Springs	\$ 5,226,030	7.50%	\$ (391,952)
6	311 Electric Pumping Equipment	\$ 764,111	7.50%	\$ (57,308)
7	320 Water Treatment Equipment	\$ 21,856	7.50%	\$ (1,639)
8	330 Distribution Reservoirs & Standpipes	\$ 248,272	7.50%	\$ (18,620)
9	331 Transmission and Distribution Mains	\$ 53,432,585	7.50%	\$ (4,007,444)
10	333 Services	\$ 527,473	7.50%	\$ (39,560)
11	334 Meters	\$ 6,068,503	7.50%	\$ (455,138)
12	335 Hydrants	\$ 3,547,718	7.50%	\$ (266,079)
13	336 Backflow Prevention Devices	\$ -	7.50%	\$ -
14	340 Office Furniture and Equipment	\$ -	7.50%	\$ -
15	341 Transportation Equipment	\$ -	7.50%	\$ -
16	347 Miscellaneous Equipment	\$ -	7.50%	\$ -
17				
18	Total Plant	\$ 79,591,151		\$ (5,969,336)

References:

Column [A]: Company Schedule B-2, Page 2.10

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 6,199,124	\$ (1,314,871)	\$4,884,253

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	Plant		31-Dec-98		Depreciation Rates	1998		1998		1998		Accumulated Depreciation
	Original Cost	31-Dec-98	Accumulated Depreciation	Additions		Cost Removal	Depr. Expense	Total Cost				
301 Organization	\$0		\$0		0.00%	\$0		\$0		\$0		\$0
302 Franchise Cost	0		0		0.00%	0		0		0		0
303 Land and Land Rights	0		0		0.00%	0		0		0		0
304 Structures and Improvements	0		0		2.50%	0		0		0		0
307 Wells and Springs	0		0		2.50%	115,000		20,125		1,186		1,186
311 Electric Pumping Equipment	0		0		2.50%	43,750		7,656		451		451
320 Water Treatment Equipment	0		0		2.50%	0		0		0		0
330 Distribution Reservoirs & Standpipe	0		0		2.50%	0		0		0		0
331 Transmission and Distribution Main	0		0		2.50%	282,692		49,471		2,915		2,915
333 Services	0		0		2.50%	0		0		0		0
334 Meters	0		0		2.50%	0		0		0		0
335 Hydrants	0		0		2.50%	0		0		0		0
336 Backflow Prevention Devices	0		0		2.50%	0		0		0		0
340 Office Furniture and Equipment	0		0		2.50%	0		0		0		0
341 Transportation Equipment	0		0		2.50%	0		0		0		0
343 Tools and Work Equipment	0		0		2.50%	0		0		0		0
1998 Totals	\$0		\$0			\$441,442		\$77,252		\$4,552		\$4,552
								\$364,190				\$4,552

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	1999 Additions Cost	1999 Adjustments		Fully Depreciated	1999 Depr. Expense	1999 Total Cost	1999 Accumulated Depreciation	1999 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	244,400	42,770	0	0	201,630	0	0	201,630
304 Structures and Improvements	102,374	17,915	0	0	84,459	1,056	1,056	83,403
307 Wells and Springs	209,355	36,637	0	0	267,593	5,717	5,717	261,876
311 Electric Pumping Equipment	331,299	57,977	0	0	309,415	4,770	4,770	304,645
320 Water Treatment Equipment	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipe	101,837	0	0	0	101,837	1,273	1,273	100,564
331 Transmission and Distribution Main	2,537,047	545,820	0	0	2,224,448	33,636	33,636	2,190,812
333 Services	155,100	27,143	0	0	127,958	1,599	1,599	126,358
334 Meters	32,941	5,765	0	0	27,176	340	340	26,837
335 Hydrants	60,225	10,539	0	0	49,686	621	621	49,065
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	0	0	0	0	0	0	0	0
343 Tools and Work Equipment	16,230	2,840	0	0	13,390	167	167	13,222
1999 Totals	\$3,790,808	\$747,407	\$0	\$0	\$44,627	\$3,407,591	\$49,179	\$3,358,411

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2000 Additions Cost	2000 Adjustments		Fully Depreciated	2000 Depr. Expense	2000 Total Cost	2000 Accumulated Depreciation	2000 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	27,137	4,749	0	0	0	224,018	0	224,018
304 Structures and Improvements	53,356	9,337	0	0	2,662	128,477	3,717	124,760
307 Wells and Springs	32,979	5,771	0	0	7,030	294,801	12,747	282,054
311 Electric Pumping Equipment	(74,250)	(12,994)	0	0	6,970	248,159	11,740	236,419
320 Water Treatment Equipment	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipe	0	0	0	0	2,546	101,837	3,819	98,018
331 Transmission and Distribution Main	1,396,832	244,446	0	0	70,016	3,376,834	103,652	3,273,182
333 Services	317,900	55,633	0	0	6,477	390,225	8,077	382,148
334 Meters	16,046	2,808	0	0	845	40,414	1,185	39,230
335 Hydrants	221,462	38,756	0	0	3,526	232,392	4,147	228,245
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	1,355	237	0	0	14	1,118	14	1,104
341 Transportation Equipment	36,142	6,325	0	0	373	29,817	373	29,444
343 Tools and Work Equipment	0	0	0	0	335	13,390	502	12,888
2000 Totals	\$2,028,959	\$355,068	\$0	\$0	\$100,793	\$5,081,482	\$149,972	\$4,931,510

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2001 Additions Cost	2001 Adjustments		Fully Depreciated	2001 Depreciation	2001 Expense	2001 Total Cost	2001 Accumulated Depreciation	2001 Net Book Value
		Cost Removal	Depreciation						
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	0	224,018	0	224,018
304 Structures and Improvements	15,461	2,706	0	0	0	3,371	141,233	7,089	134,144
307 Wells and Springs	116,174	60,330	0	0	0	8,068	350,644	20,815	329,829
311 Electric Pumping Equipment	102,124	17,872	0	0	0	7,257	332,411	18,997	313,415
320 Water Treatment Equipment	0	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipe	248,272	43,448	0	0	0	5,106	306,661	8,925	297,736
331 Transmission and Distribution Main	240,418	42,073	0	0	0	86,900	3,575,179	190,552	3,384,627
333 Services	0	0	0	0	0	9,756	390,225	17,832	372,393
334 Meters	21,024	3,679	0	0	0	1,227	57,759	2,412	55,347
335 Hydrants	0	0	0	0	0	5,810	232,392	9,957	222,435
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	(1,355)	(237)	0	0	0	(14)	0	0	0
341 Transportation Equipment	(36,142)	(6,325)	0	0	0	(373)	0	0	0
343 Tools and Work Equipment	(16,230)	(2,840)	0	0	0	(573)	0	(71)	71
2001 Totals	\$689,746	\$160,706	\$0	\$0	\$0	\$126,535	\$5,610,522	\$276,508	\$5,334,015

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2002 Additions Cost	2002 Adjustments		Fully Depreciated	2002 Depr. Expense	2002 Total Cost	2002 Accumulated Depreciation	2002 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	224,018	0	224,018
304 Structures and Improvements	0	0	0	0	3,531	141,233	10,620	130,613
307 Wells and Springs	0	0	0	0	8,766	350,644	29,581	321,063
311 Electric Pumping Equipment	22,050	3,859	0	0	8,538	350,603	27,535	323,068
320 Water Treatment Equipment	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipe	390,770	0	0	0	12,551	697,431	21,476	675,955
331 Transmission and Distribution Main	6,222,693	1,501,599	0	0	148,393	8,296,273	338,945	7,957,327
333 Services	0	0	0	0	9,756	390,225	27,588	362,637
334 Meters	178,075	31,163	0	0	3,280	204,671	5,692	198,979
335 Hydrants	157,282	27,524	0	0	7,432	362,149	17,389	344,761
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	0	0	0	0	0	0	0	0
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2002 Totals	\$6,970,870	\$1,564,146	\$0	\$0	\$202,247	\$11,017,247	\$478,754	\$10,538,493

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2003 Additions Cost	2003 Adjustments		Fully Depreciated	2003 Depr. Expense	2003 Total Cost	2003 Accumulated Depreciation	2003 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	224,018	0	224,018
304 Structures and Improvements	0	141,233	0	0	1,765	(0)	12,385	(12,385)
307 Wells and Springs	319,090	55,841	0	0	12,057	613,893	41,638	572,256
311 Electric Pumping Equipment	0	0	0	0	8,765	350,603	36,300	314,303
320 Water Treatment Equipment	5,455	955	0	0	56	4,500	56	4,444
330 Distribution Reservoirs & Standpipe	520,238	0	0	0	23,939	1,217,669	45,415	1,172,254
331 Transmission and Distribution Main	8,122,807	1,800,496	0	0	286,436	14,618,583	625,381	13,993,202
333 Services	0	0	0	0	9,756	390,225	37,344	352,881
334 Meters	1,173,247	205,318	0	0	17,216	1,172,600	22,908	1,149,692
335 Hydrants	459,546	80,421	0	0	13,793	741,275	31,181	710,093
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	34,226	5,990	0	0	353	28,236	353	27,883
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2003 Totals	\$10,634,609	\$2,290,253	\$0	\$0	\$374,135	\$19,361,603	\$852,889	\$18,508,714

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2004 Additions Cost	2004 Adjustments		Fully Depreciated	2004 Depr. Expense	2004 Total Cost	2004 Accumulated Depreciation	2004 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	901	158	0	0	0	224,761	0	224,761
304 Structures and Improvements	458,157	80,177	0	0	4,725	377,979	17,110	360,869
307 Wells and Springs	80,000	14,000	0	0	16,172	679,893	57,810	622,083
311 Electric Pumping Equipment	0	0	0	0	8,765	350,603	45,065	305,538
320 Water Treatment Equipment	16,401	2,870	0	0	282	18,031	338	17,693
330 Distribution Reservoirs & Standpipe	0	0	0	0	30,442	1,217,669	75,857	1,141,813
331 Transmission and Distribution Main	8,900,756	1,557,632	0	0	457,254	21,961,707	1,082,635	20,879,072
333 Services	0	0	0	0	9,756	390,225	47,099	343,126
334 Meters	1,108,316	193,955	0	0	40,745	2,086,960	63,653	2,023,308
335 Hydrants	0	0	0	0	18,532	741,275	49,713	691,562
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	44,945	7,865	0	0	1,169	65,316	1,522	63,794
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2004 Totals	\$10,609,476	\$1,856,658	\$0	\$0	\$587,841	\$28,114,421	\$1,440,730	\$26,673,691

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2005 Additions Cost	2005 Adjustments		Fully Depreciated	2005 Depr. Expense	2005 Total Cost	2005 Accumulated Depreciation	2005 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	224,761	0	224,761
304 Structures and Improvements	0	0	0	0	9,449	377,979	26,559	351,420
307 Wells and Springs	907,116	591,983	0	0	20,936	995,026	78,746	916,280
311 Electric Pumping Equipment	0	0	0	0	8,765	350,603	53,830	296,773
320 Water Treatment Equipment	0	0	0	0	451	18,031	789	17,243
330 Distribution Reservoirs & Standpipe	0	0	0	0	30,442	1,217,669	106,299	1,111,371
331 Transmission and Distribution Main	10,361,247	3,134,690	0	0	639,375	29,188,264	1,722,009	27,466,254
333 Services	0	0	0	0	9,756	390,225	56,855	333,370
334 Meters	1,602,159	280,378	0	0	68,696	3,408,742	132,349	3,276,393
335 Hydrants	969,120	169,596	0	0	28,526	1,540,799	78,239	1,462,560
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	(79,171)	(13,855)	0	0	(1,671)	0	(149)	149
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2005 Totals	\$13,760,471	\$4,162,792	\$0	\$0	\$814,725	\$37,712,099	\$2,255,454	\$35,456,645

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2006 Additions Cost	2006 Adjustments		Fully Depreciated	2006 Depr. Expense	2006 Total Cost	2006 Accumulated Depreciation	2006 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	224,761	0	224,761
304 Structures and Improvements	6,649,654	5,590,038	0	0	22,695	1,437,595	49,254	1,388,341
307 Wells and Springs	3,182,894	2,569,570	0	0	32,542	1,608,350	111,289	1,497,061
311 Electric Pumping Equipment	86,801	15,190	0	0	9,660	422,214	63,490	358,724
320 Water Treatment Equipment	0	0	0	0	451	18,031	1,239	16,792
330 Distribution Reservoirs & Standpipe	4,426,349	693,827	0	0	77,098	4,950,191	183,397	4,766,795
331 Transmission and Distribution Main	13,562,689	2,373,471	0	0	869,572	40,377,482	2,591,581	37,785,901
333 Services	0	0	0	0	9,756	390,225	66,611	323,615
334 Meters	1,074,809	188,092	0	0	96,303	4,295,459	228,651	4,066,808
335 Hydrants	1,546,683	270,670	0	0	54,470	2,816,812	132,709	2,684,103
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	0	0	0	0	0	0	(149)	149
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2006 Totals	\$30,529,879	\$11,700,858	\$0	\$0	\$1,172,546	\$56,541,120	\$3,428,001	\$53,113,120

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED AND USEFUL, EXCESS CAPACITY, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2007 Additions Cost	2007 Adjustments		Fully Depreciated	2007 Depr. Expense	2007 Total Cost	2007 Accumulated Depreciation	2007 Net Book Value
		Cost Removal	Depreciation					
301 Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land and Land Rights	0	0	0	0	0	224,761	0	224,761
304 Structures and Improvements	2,203,163	2,206,194	0	0	35,902	1,434,564	85,156	1,349,408
307 Wells and Springs	263,423	46,099	0	0	42,925	1,825,674	154,214	1,671,460
311 Electric Pumping Equipment	252,338	44,159	0	0	13,158	630,392	76,648	553,745
320 Water Treatment Equipment	0	0	0	0	451	18,031	1,690	16,341
330 Distribution Reservoirs & Standpipe	1,820,640	0	0	0	146,513	6,770,831	329,910	6,440,922
331 Transmission and Distribution Main	1,805,404	1,047,071	0	0	1,018,916	41,135,816	3,610,497	37,525,318
333 Services	54,473	9,533	0	0	10,317	435,165	76,928	358,237
334 Meters	861,887	150,830	0	0	116,275	5,006,516	344,926	4,661,590
335 Hydrants	133,400	23,345	0	0	71,796	2,926,867	204,505	2,722,362
336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
340 Office Furniture and Equipment	0	0	0	0	0	0	0	0
341 Transportation Equipment	0	0	0	0	0	0	(149)	149
343 Tools and Work Equipment	0	0	0	0	0	0	(71)	71
2007 Totals	\$7,394,728	\$3,527,230	\$0	\$0	\$1,456,253	\$60,408,618	\$4,884,253	\$55,524,365

Johnson Utilities L.L.C. - Water Division
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Surrebuttal Schedule JMM-W10

RATE BASE ADJUSTMENT NO. 7 - SERVICE LINE AND METER ADVANCE RECLASSIFICATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Service Line and Meter Advances	\$ -	\$ 6,779,771	\$ 6,779,771

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-W11

RATE BASE ADJ. NO. 8 - UNEXPENDED CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Balance at 12/31/2007	\$ 31,935,899	-	\$ 31,935,899
2	Unexpended CIAC	(6,931,078)	6,931,078	-
3	Total CIAC	\$ 25,004,821	\$ 6,931,078	\$ 31,935,899

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
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RATE BASE ADJUSTMENT NO. 9 - AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

Line
No. Accumulated Amortization (A.A.)

Line No.	Accumulated Amortization (A.A.)	Amount Recorded	Not Used and Useful	Excess Capacity	Unexpended Cash	Amortizable Balance	Amortization Rate	Amortization	Year	Total Amortization	Accumulated Amortization
1	Computation of CIAC Balances										
2	Balance at 12/31/1997	\$ 137,525	\$ -	\$ -	\$ -	\$ 137,525	2.50%	3,438	1998	3,438	3,438
3	Additions 1998	\$ 137,525	\$ -	\$ -	\$ -	\$ 137,525	2.50%	3,438	1999	23,579	27,017
4	Balance at 12/31/1998	\$ 805,625	\$ -	\$ -	\$ -	\$ 805,625	2.50%	41,981	2000	41,981	68,998
5	Additions 1999	\$ 943,150	\$ -	\$ -	\$ -	\$ 943,150	2.50%	59,205	2001	59,205	128,203
6	Balance at 12/31/1999	\$ 736,101	\$ -	\$ -	\$ -	\$ 736,101	2.50%	113,312	2002	113,312	241,515
7	Additions 2000	\$ 1,679,251	\$ -	\$ -	\$ -	\$ 1,679,251	2.50%	230,754	2003	230,754	472,269
8	Balance at 12/31/2000	\$ 688,950	\$ -	\$ -	\$ -	\$ 688,950	2.50%	302,290	2004	302,290	774,559
9	Additions 2001	\$ 2,368,201	\$ -	\$ -	\$ -	\$ 2,368,201	2.50%	352,934	2005	352,934	1,127,493
10	Balance at 12/31/2001	\$ 2,441,380	\$ -	\$ -	\$ -	\$ 2,441,380	2.50%	416,493	2006	416,493	1,543,986
11	Additions 2002	\$ 4,809,581	\$ -	\$ -	\$ -	\$ 4,809,581	2.50%	566,503	2007	566,503	2,110,489
12	Balance at 12/31/2002	\$ 4,420,596	\$ -	\$ -	\$ -	\$ 4,420,596	2.50%				
13	Additions 2003	\$ 9,230,177	\$ -	\$ -	\$ -	\$ 9,230,177	2.50%				
14	Balance at 12/31/2003	\$ 6,597,450	\$ -	\$ -	\$ -	\$ 6,597,450	2.50%				
15	Additions 2004	\$ 15,827,627	\$ -	\$ -	\$ -	\$ 15,827,627	2.50%				
16	Balance at 12/31/2004	\$ 22,121,077	\$ -	\$ -	\$ -	\$ 22,121,077	2.50%				
17	Additions 2005	\$ 8,814,372	\$ -	\$ -	\$ -	\$ 8,814,372	2.50%				
18	Balance at 12/31/2005	\$ 30,935,449	\$ -	\$ -	\$ -	\$ 30,935,449	2.50%				
19	Additions 2006	\$ 1,000,450	\$ -	\$ -	\$ -	\$ 1,000,450	2.50%				
20	Balance at 12/31/2006	\$ 22,660,118	\$ -	\$ -	\$ -	\$ 22,660,118	2.50%				
21	Adjustments		1,217,638.00	1,127,065.00							
22	Balance at 12/31/2007										
23											
24											
25											
26											
27											
28											
29											
30											

Per Staff: 2,110,489
Per Company: 1,858,537
Staff's Adjustment: 251,952

References:
Column [A]: Company Schedule B-2, Page 4
Column [B]: Testimony, JMM
Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
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Surrebuttal Schedule JMM-W13

RATE BASE ADJUSTMENT NO. 10 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ 6,779,771	\$ (6,779,771)	\$ -
2	Customer Deposits - Security Deposits		378,138	378,138
3		<u>\$ 6,779,771</u>	<u>\$ (6,401,633)</u>	<u>\$ 378,138</u>

References:

Column [A]: Company Schedule B-2

Column [B]: Testimony, JMM

Column [C]: Column [A] + Column [B]

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Surrebuttal Schedule JMM-W14

RATE BASE ADJUSTMENT NO. 11 - MATERIALS AND SUPPLIES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Materials and Supplies	\$ 348,852	\$ (348,852)	\$ -

References:

Column [A]: Company Schedule B-2

Column [B]: Testimony, JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
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Surrebuttal Schedule JMM-W15

RATE BASE ADJUSTMENT NO. 12 - DEFERRED ASSET

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Deferred Asset	\$ 633,537	\$ (633,537)	\$ -

References:

Column [A]: Company Schedule B-2

Column [B]: Testimony, JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
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Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-W16

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
REVENUES:						
1	461.00 Metered Water Revenues	\$ 12,843,604	\$ -	\$ 12,843,604	\$ (3,068,300)	\$ 9,775,304
2	460.00 Unmetered Water Revenues	-	-	-	-	-
3	471.00 Other Operating Revenues	329,295	-	329,295	-	329,295
4	Total Operating Revenues	\$ 13,172,899	\$ -	\$ 13,172,899	\$ (3,068,300)	\$ 10,104,599
OPERATING EXPENSES:						
7	601.00 Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	610.00 Purchased Water	334,948	-	334,948	-	334,948
9	615.00 Purchased Power	828,900	(10,620)	818,280	-	818,280
10	618.00 Chemicals	16,189	-	16,189	-	16,189
11	611.00 Repairs and Maintenance	14,333	-	14,333	-	14,333
12	634.00 Office Supplies and Expense	1,119	-	1,119	-	1,119
13	618.01 Outside Services	5,877,591	(5,799)	5,871,792	-	5,871,792
14	604.00 Water Testing	55,007	-	55,007	-	55,007
15	666.00 Rents	53,444	-	53,444	-	53,444
16	632.00 Transportation Expenses	-	-	-	-	-
17	636.00 Insurance - General Liability	21,565	-	21,565	-	21,565
18	640.00 Insurance - Health and Life	-	-	-	-	-
19	650.00 Regulatory Commission Expense - Rate Case	33,333	-	33,333	-	33,333
20	657.00 Miscellaneous Expense	286,747	(31,192)	255,555	-	255,555
22	675.00 Depreciation Expense	1,548,515	(709,524)	838,991	-	838,991
23	403.00 Amortization of CIAC	-	-	-	-	-
24	408.00 Taxes Other than Income	-	-	-	-	-
25	408.00 Property Taxes	797,368	47,694	845,062	(65,523)	779,539
26	409.00 Income Taxes	1,185,679	(1,185,679)	-	-	-
27	Total Operating Expenses	11,054,738	(1,895,120)	9,159,618	(65,523)	9,094,095
28	Operating Income (Loss)	\$ 2,118,161	\$ 1,895,120	\$ 4,013,281	\$ (3,002,777)	\$ 1,010,504
Other Income (Expense):						
31	427.00 Interest Expense	\$ 14,738	\$ 28,196	\$ 42,934	\$ -	\$ 42,934
32	Net Profit (Loss)	\$ 2,103,423	\$ 1,866,924	\$ 3,970,347	\$ -	\$ 967,570

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-W17
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-W1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 CAGR	(C) ADJ #2 Purchased Power	(D) ADJ #3 Outside Service	(E) ADJ #4 Miscellaneous Exp	(F) ADJ #5 Dep Exp
REVENUES:							
1	461.00 Metered Water Revenues	\$ 12,843,604					
2	460.00 Unmetered Water Revenues	-					
3	471.00 Other Operating Revenues	329,295					
4	Total Operating Revenues	<u>\$ 13,172,899</u>					
OPERATING EXPENSES:							
6	601.00 Salaries and Wages	\$ -					
7	610.00 Purchased Water	334,948					
8	615.00 Purchased Power	828,900		(10,620)			
9	618.00 Chemicals	16,189					
10	611.00 Repairs and Maintenance	14,333					
11	634.00 Office Supplies and Expense	1,119					
12	618.01 Outside Services	5,877,591			(5,799)		
13	604.00 Water Testing	55,007					
14	666.00 Rents	53,444					
15	632.00 Transportation Expenses	-					
16	636.00 Insurance - General Liability	21,565					
17	640.00 Insurance - Health and Life	-					
18	650.00 Regulatory Commission Expense - Rate Case	33,333					
19	657.00 Miscellaneous Expense	286,747					
20	675.00 Depreciation Expense	1,548,515					
21	403.00 Amortization of CIAC	-					
22	408.00 Taxes Other than Income	-					
23	408.00 Property Taxes	797,368					
24	409.00 Income Taxes	1,185,679					
25	Total Operating Expenses	<u>\$ 11,054,738</u>		(10,620)	(5,799)	(31,192)	(709,524)
26	Operating Income (Loss)	<u>\$ 2,118,161</u>		<u>\$ 10,620</u>	<u>\$ 5,799</u>	<u>\$ 31,192</u>	<u>\$ 709,524</u>
27							
28							
29							
30	Other Income (Expense):						
31	427.00 Interest Expense	\$ 14,738					
32	Net Profit (Loss)	<u>\$ 2,103,423</u>		<u>\$ 10,620</u>	<u>\$ 5,799</u>	<u>\$ 31,192</u>	<u>\$ 709,524</u>
33							
34							
35							
36							
37							

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENT

LINE NO.	DESCRIPTION	[G] ADJ #6 Prop Tax	[H] ADJ #7 Income Tax	[I] ADJ #8 Int Synchro	[J] STAFF ADJUSTED
REVENUES:					
1	461.00 Metered Water Revenues	\$ -	\$ -	\$ -	\$ 12,843,604
2	460.00 Unmetered Water Revenues	-	-	-	-
3	471.00 Other Operating Revenues	-	-	-	329,295
4	Total Operating Revenues	\$ -	\$ -	\$ -	\$ 13,172,899
OPERATING EXPENSES:					
6	601.00 Salaries and Wages	\$ -	\$ -	\$ -	\$ -
7	610.00 Purchased Water	-	-	-	334,948
8	615.00 Purchased Power	-	-	-	818,280
9	618.00 Chemicals	-	-	-	16,189
10	611.00 Repairs and Maintenance	-	-	-	14,333
11	634.00 Office Supplies and Expense	-	-	-	1,119
12	618.01 Outside Services	-	-	-	5,871,792
13	604.00 Water Testing	-	-	-	55,007
14	666.00 Rents	-	-	-	53,444
15	632.00 Transportation Expenses	-	-	-	-
16	636.00 Insurance - General Liability	-	-	-	21,565
17	640.00 Insurance - Health and Life	-	-	-	-
18	650.00 Regulatory Commission Expense - Rate Case	-	-	-	33,333
19	657.00 Miscellaneous Expense	-	-	-	255,555
20	675.00 Depreciation Expense	-	-	-	838,991
22	403.00 Amortization of CIAC	-	-	-	-
23	408.00 Taxes Other than Income	-	-	-	-
24	408.00 Property Taxes	47,694	-	-	845,062
25	409.00 Income Taxes	-	(1,185,679)	-	-
26	Total Operating Expenses	\$ 47,694	\$ (1,185,679)	\$ -	\$ 9,159,618
27	Operating Income (Loss)	\$ (47,694)	\$ 1,185,679	\$ -	\$ 4,013,281
29					
30	Other Income (Expense):				
31	427.00 Interest Expense	\$ -	\$ -	\$ 28,196	\$ 42,934
35	Net Profit (Loss)	\$ (47,694)	\$ 1,185,679	\$ (28,196)	\$ 3,970,347
36					
37					

Johnson Utilities L.L.C. - Water Division
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Surrebuttal Schedule JMM-W18

OPERATING EXPENSE ADJUSTMENT # 1 - CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ("CAGRD") EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Purchased Water	Central Arizona Groundwater Replenishment District Expense	\$ 334,948	\$ -	\$ 334,948
2					
3	Staff's Calculation of CAGRD Expense:				
4					
5	Account ID	Trans Description	Debit Amt		
6	608.20	CAGRD - Phx AMA: Total Excess Groundwater	\$ -		
7	608.20	CAGRD - Pinal AMA: Total Excess groundwater	\$ -		
8			\$ -		
9					

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT # 2 - DECREASE PURCHASED POWER

Line No.	ACCT NO.	Description	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	615.00	Purchased Power	\$ 828,900	\$ (10,620)	\$ 818,280

2
3

4 Remove Purchased Power Invoices related to APS Account 259672288, Oasis Golf Course.

5

Account ID	Trans Description	Debit Amt
6 615.00	APS - #2 OASIS GOLF CLUB PRO SHOP	\$ 733
8 615.00	APS - OGC Pro Shop	1,072
9 615.00	APS - Main Yard	913
10 615.00	APS - OGC Pro Shop	795
11 615.00	APS - Water- OGC Pro shop	716
12 615.00	APS - OGC Pro Shop	864
13 615.00	APS - OGC Pro Shop	813
14 615.00	APS - OGC pro Shop	871
15 615.00	APS - OGC Pro Shop	844
16 615.00	APS - OGC Pro Shop	993
17 615.00	APS - OGC Pro Shop	1,028
18 615.00	APS - OGC Proshop	978
19 Total		\$ 10,620

20

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT # 3 - OUTSIDE SERVICE

			[A]	[B]	[C]
Line No.	ACCT NO.	DESCRIPTION	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Outside Services	Outside Services	\$ 5,877,591	\$ (5,799)	\$ 5,871,792
2					
3					
4		2007 expenses for Legal and Accounting Fees included in deferred assets:	Invoice totals		
5		Legal Fees for Capital Issues	\$ 5,967		
6		Legal Fees for Town of Florence	83,043		
7		Legal Fees for Rate Case Expense	25,755		
8		Utility Contracting Services LLC for Main Extension Agreements	90,000		
9		Accounting Fees	15,514		
10		Total Deferred Expenses	\$ 220,279		
11					
12		Deferred Expenses that can not be reclassified as current year expenses:	Invoice totals		
13		Legal Fees for Town of Florence	\$ 83,043		
14		Accounting Fees Town of Florence	\$ 3,140		
15		Utility Contracting Services LLC for Main Extension Agreements	90,000		
17		Legal Fees for Rate Case Expense	25,755		
18		Total	\$ 201,938		
19					
20					
21		Deferred Expenses that have been reclassified as current year expenses:	Invoice totals		
22		Accounting Fees:		0.5388	0.4612
23	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
24	632.80	THOMAS J. BOURASSA, CPA - OUTSIDE ACCOUNTING	\$ 748	\$ 748	\$ -
25	632.80	THOMAS J. BOURASSA, CPA - OUTSIDE ACCOUNTING	748.32	748	-
26	632.80	THOMAS J. BOURASSA, CPA - Revise Cash Flow Analysis	4,002.60	4,003	-
27	632.80	THOMAS J. BOURASSA, CPA - Meetings w/ Town of Florence	2,205.00	2,205	-
28	832.80	THOMAS J. BOURASSA, CPA - Rate case mtng w/G-B-D	422.10	227	195
29	832.80	THOMAS J. BOURASSA, CPA - Mtg @ JUC/ year-end 2006 financials	1,831.20	987	845
30	832.80	THOMAS J. BOURASSA, CPA - Rate Case/Issues on unexpended HUF	2,417.10	1,302	1,115
31	832.80	Salquist - Capital Issues	5,966.90	3,215	2,752
32		Total Deferred Expenses reclassified to Outside Service	\$ 18,342	\$ 13,436	\$ 4,906
33					
34		Remove Amortization Expense from Outside Services			
35	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
36	632.80	amortize eng/legal/acctg/adm costs for 07		\$ 765	
37	732.80	amortize eng/legal/acctg/adm costs for 07			\$ 554
38	633.00	amortize eng/legal/acctg/adm costs for 07		18,470	
39	733.00	amortize eng/legal/acctg/adm costs for 07			13,374
40	Total Adjustment			\$ 19,234	\$ 13,928
41					
42		Adjustment Totals for Water and Wastewater Division		\$ (5,799)	\$ (9,022)

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT #4 - MISCELLANEOUS EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	657.00	Miscellaneous Expense	\$ 286,747	\$ (31,192)	\$ 255,555
2					
3					
4	Sponsorships:		Revenue Split Percentage		
5	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
6	857.00	VAQUERO FOUNDATION - Drawing of \$10,000 Savings bond	150.00		
7	857.00	ART CARDS BY LYNN - The Davis Cheney Art Gallery	200.00	188.58	161.42
8	860.00	Oasis Golf Club Scramble Tourn - Oasis Golf Club Scramble Tournament	200.00		
9	860.00	ACYFL - Per Brian Contribution	1,000.00		
10	860.00	FLORENCE CHAMBER OF - Casino Night Donation	300.00	808.20	691.80
11	820.20	FLORENCE CHAMBER OF - Annual Membership Dues	150.00	80.82	69.18
12	Subtotal		2,000.00	1,077.60	922.40
13					
14	Lobbying Expenses:				
15	Account ID	Trans Description	Debit Amt	Water Division	
16	636.00	R&R PARTNERS - GPA RETAINER	2,503.19	2,503.19	
17	636.00	R&R PARTNERS - Retainer- GPA Feb 07	2,500.00	2,500.00	
18	636.00	R&R PARTNERS - Government Affairs Consulting March	2,501.18	2,501.18	
19	636.00	R&R PARTNERS - GPA Retainer	2,500.00	2,500.00	
20	636.00	R&R PARTNERS - GPA Retainer May 2007	2,500.00	2,500.00	
21	636.00	R&R PARTNERS - GPA Retainer June	2,522.56	2,522.56	
22	636.00	R&R PARTNERS - Government Affairs Consulting	2,500.00	2,500.00	
23	636.00	R&R PARTNERS - GPA Retainer Aug 2007	2,500.00	2,500.00	
24	636.00	R&R PARTNERS - GPA Retainer Sept 07	2,505.17	2,505.17	
25	636.00	R&R PARTNERS - Oct 07 Government Affairs Consulting	2,500.00	2,500.00	
26	636.00	R&R PARTNERS - GPA Retainer	2,500.00	2,500.00	
27	636.00	R&R PARTNERS - Government Affairs Consulting	2,500.00	2,500.00	
28	Subtotal		30,032.10	30,032.10	
29					
30	Food & Entertainment:				
31	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
32	896.00	NATIONAL BANK OF ARIZONA - Great Alaskan Broasted	70.45		
33	896.00	NATIONAL BANK OF ARIZONA - Meals/Entertainment	82.96		
34	Subtotal		153.41	82.66	70.75
35					
36	Total Column B (Lines12+28+34)			\$ 31,192.36	

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - DEPRECIATION EXPENSE

Line No.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1							
2	Depreciation Expense	\$ 1,548,515		\$ (709,524)		\$ 838,991	
3							
4	Staff's Calculation of Depreciation Expense:						
5							
6							
7	Acct.	Staff Adjusted	Proposed	Depreciation			
8	No.	Original Cost	Rate	Expense			
9	301.00 Organization Cost	\$ -	0.00%	\$ -			
10	302.00 Franchise Cost	-	0.00%	-			
11	303.00 Land and Land Rights	224,761	0.00%	-			
12	304.00 Structures and Improvements	1,434,564	3.33%	47,771			
13	305.00 Collecting and Impounding Res.	-	2.50%	-			
14	306.00 Lake River and Other Intakes	-	2.50%	-			
15	307.00 Wells and Springs	1,825,673	3.30%	60,247			
16	308.00 Infiltration Galleries and Tunnels	-	6.67%	-			
17	309.00 Supply Mains	-	2.00%	-			
18	310.00 Power Generation Equipment	-	5.00%	-			
19	311.00 Electric Pumping Equipment	630,392	12.50%	78,799			
20	320.00 Water Treatment Equipment	18,031	3.33%	600			
21	330.00 Distribution Reservoirs & Standpipe	6,770,831	2.22%	150,312			
22	331.00 Transmission and Distribution Mains	41,135,816	2.00%	822,716			
23	333.00 Services	435,165	3.33%	14,491			
24	334.00 Meters	5,006,515	8.33%	417,043			
25	335.00 Hydrants	2,926,867	2.00%	58,537			
26	336.00 Backflow Prevention Devices	-	6.67%	-			
27	339.00 Other Plant and Miscellaneous Equipment	-	6.67%	-			
28	340.00 Office Furniture and Fixtures	-	6.67%	-			
29	341.00 Transportation Equipment	-	20.00%	-			
30	342.00 Stores Equipment	-	4.00%	-			
31	343.00 Tools and Work Equipment	-	5.00%	-			
32	344.00 Laboratory Equipment	-	10.00%	-			
33	345.00 Power Operated Equipment	-	5.00%	-			
34	346.00 Communications Equipment	-	10.00%	-			
35	347.00 Miscellaneous Equipment	-	10.00%	-			
36	348.00 Other Tangible Plant	-	---	-			
37	Total	\$ 60,408,616		\$ 1,650,517			
38							
39	Depreciable Plant	60,183,854					
40							
41	Composite CIAC Amortization Rate	2.74%					
42							
43	Less: Amortization of Contributions	\$ 29,591,196	2.7425%	\$ 811,526			
44							
45	Staff Recommended Total Depreciation Expense			\$ 838,991			
46							
47	Company Proposed Test Year Depreciation Expense			\$ 1,548,515			
48							
49	Staff Recommended Adjustment to increase Depreciation Expense			\$ (709,524)			

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT # 6 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2005	\$ 13,172,899	\$ 13,172,899
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 26,345,798	\$ 26,345,798
4	Staff Recommended Revenue	13,172,899	\$ 10,104,599
5	Subtotal (Line 4 + Line 5)	\$ 39,518,697	\$ 36,450,397
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 13,172,899	\$ 12,150,132
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 26,345,798	\$ 24,300,265
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 26,345,798	\$ 24,300,265
13	Assessment Ratio	23%	23%
14	Assessment Value (Line 12 * Line 13)	\$ 6,059,534	\$ 5,589,061
15	Composite Property Tax Rate - Obtained from Company	13.9264%	13.9264%
16	Staff Recommended Property Tax Expense (Line 14 * Line 15)	\$ 843,878	\$ 778,355
17	Tax on Parcel	1,184	1,184
18	Staff Test Year Adjusted Property Tax Expense	\$ 845,062	\$ 779,539
19	Company Property Tax Expense	797,368	
20	Staff Recommended Adjustments	\$ 47,694	
21	Property Tax - Staff Recommended Revenue		\$ 779,539
22	Staff Test Year Adjusted Property Tax Expense		845,062
23	Decrease in Property Tax Due to decrease in Revenue Requirement		\$ (65,523)

REFERENCES:

Line 15: Actual Tax Rate obtained from Company
Line 19: Company Schedule C-1
Line 20: Line 19 - Line 18
Line 23: Line 22 - Line 21

Johnson Utilities L.L.C. - Water Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-W24

OPERATING ADJUSTMENT NO. 7 - INCOME TAX

Line No.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	409.00	Income Taxes	\$ 1,185,679	\$ (1,185,679)	\$ -
2					
3		Remove Company Income Taxes as they are classified as a Limited Liability Corporation and not a C Corporation.			

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Water Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-W25

OPERATING ADJUSTMENT NO. 8 - REMOVE INTEREST SYNCHRONIZATION

Line No.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	427.00	Interest Expense	\$ 14,738	\$ 28,196	\$ 42,934
2					
3		Remove Company Income Taxes as they are classified as a Limited Liability Corporation and not a C Corporation.			

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8x3/4" Meter	\$ 18.00	\$ 14.98	11.00
3/4" Meter	27.00	22.47	16.50
1" Meter	45.00	37.45	27.50
1 1/2" Meter	90.00	74.90	55.00
2" Meter	144.00	119.84	88.00
3" Meter	270.00	239.68	176.00
4" Meter	450.00	374.50	275.00
6" Meter	900.00	749.00	550.00
8" Meter	N/A	1,198.40	880.00
10" Meter	N/A	1,722.70	1,265.00
Commodity Rates			
<u>(Residential, Commercial, Industrial)</u>			
All Meter Sizes	\$ -	\$ -	\$ -
Gallons Included in Minimum			
0 gallons to 7,000 Gallons	2.25	N/A	N/A
over 7,000 Gallons	2.50	N/A	N/A
<u>5/8 Inch and 3/4 Inch Meter Residential</u>			
0 gallons to 4,000 gallons	N/A	\$ 1.485	\$ 1.58
4,001 gallons to 10,000 gallons	N/A	1.935	2.34
over 10,000 gallons	N/A	2.485	2.81
<u>5/8 inch 3/4 Inch Meter Commercial, Industrial, Irrigation, and Public Authority</u>			
0 gallons to 10,000 gallons	N/A	\$ 1.935	\$ 2.34
over 10,000 gallons	N/A	2.485	2.81
<u>1 Inch Meter</u>			
0 gallons to 25,000 gallons	N/A	\$ 1.935	N/A
over 25,000 gallons	N/A	2.485	N/A
From 1 to 32,000 Gallons	N/A	N/A	\$ 2.34
Over 32,000 Gallons	N/A	N/A	2.81
<u>1.5 Inch Meter</u>			
0 gallons to 50,000 gallons	N/A	\$ 1.935	N/A
over 50,000 gallons	N/A	2.485	N/A
From 1 to 89,000 Gallons	N/A	N/A	\$ 2.34
Over 89,000 Gallons	N/A	N/A	2.81
<u>2 Inch Meter</u>			
0 gallons to 80,000 gallons	N/A	\$ 1.935	N/A
over 80,000 gallons	N/A	2.485	N/A
From 1 to 158,000 Gallons	N/A	N/A	\$ 2.34
Over 158,000 Gallons	N/A	N/A	2.81
<u>3 Inch Meter</u>			
0 gallons to 160,000 gallons	N/A	\$ 1.935	N/A
over 160,000 gallons	N/A	2.485	N/A
From 1 to 344,000 Gallons	N/A	N/A	\$ 2.34
Over 344,000 Gallons	N/A	N/A	2.81
<u>4 Inch Meter</u>			
0 gallons to 250,000 gallons	N/A	\$ 1.935	N/A
over 250,000 gallons	N/A	2.485	N/A
From 1 to 553,000 Gallons	N/A	N/A	\$ 2.34
Over 553,000 Gallons	N/A	N/A	2.81
<u>6 Inch Meter</u>			
0 gallons to 500,000 gallons	N/A	\$ 1.935	N/A
over 500,000 gallons	N/A	2.485	N/A
From 1 to 1,137,000 Gallons	N/A	N/A	\$ 2.34
Over 1,137,000 Gallons	N/A	N/A	2.81
<u>8 Inch Meter</u>			
0 gallons to 800,000 gallons	N/A	\$ 1.935	N/A
over 800,000 gallons	N/A	2.485	N/A
From 1 to 1,838,000 Gallons	N/A	N/A	\$ 2.34
Over 1,838,000 Gallons	N/A	N/A	2.81

	Present Rates	Company Proposed Rates			Staff Recommended Rates		
10 Inch Meter							
0 gallons to 1,125,000 gallons	N/A		\$	1.935			N/A
over 1,125,000 gallons	N/A			2.485			N/A
From 1 to 2,656,000 Gallons	N/A			N/A	\$		2.34
Over 2,656,000 Gallons	N/A			N/A			2.81
Construction Water	\$ 3.75		\$	2.485		\$	2.81
Central Arizona Water	See Tariff			See Tariff			See Tariff
		Proposed Service Line Charge	Proposed Meter Installation Charge	(a) Total Proposed Charge	Staff Service Line Charge	Staff Meter Installation Charge	Total Staff Charge
Service Line and Meter Installation Charges							
5/8" x 3/4" Meter	\$ 365.00	\$ 385.00	\$ 135.00	\$ 520.00	\$ 385.00	\$ 135.00	\$ 520.00
3/4" Meter	405.00	385.00	215.00	600.00	385.00	215.00	600.00
1" Meter	665.00	435.00	255.00	690.00	435.00	255.00	690.00
1 1/2" Meter	1,080.00	470.00	465.00	935.00	470.00	465.00	935.00
2" Meter	1,525.00	N/A	N/A	N/A	N/A	N/A	N/A
2" Turbine Meter	N/A	630.00	965.00	1,595.00	630.00	965.00	1,595.00
2" Compound Meter	N/A	630.00	1,690.00	2,320.00	630.00	1,690.00	2,320.00
3" Meter	2,190.00	N/A	N/A	N/A	N/A	N/A	N/A
3" Turbine Meter	N/A	805.00	1,470.00	2,275.00	805.00	1,470.00	2,275.00
3" Compound Meter	N/A	845.00	2,265.00	3,110.00	845.00	2,265.00	3,110.00
4" Turbine Meter	N/A	1,170.00	2,350.00	3,520.00	1,170.00	2,350.00	3,520.00
4" Compound Meter	2,985.00	1,230.00	3,245.00	4,475.00	1,230.00	3,245.00	4,475.00
6" Turbine Meter	N/A	1,730.00	4,545.00	6,275.00	1,730.00	4,545.00	6,275.00
6" Compound Meter	5,780.00	1,770.00	6,280.00	8,050.00	1,770.00	6,280.00	8,050.00
8 Inch & Larger	Cost	Cost	Cost	Cost	Cost	Cost	Cost
(a) As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges. Any tax collected will be refunded each year as the meter deposit is refunded.							
Service Charges							
Establishment	\$ 25.00		\$	25.00		\$	25.00
Establishment (After Hours)	40.00			40.00			40.00
Reconnection (Delinquent)	50.00			50.00			50.00
Reconnection (Delinquent and After Hours)	N/A			N/A			N/A
Meter Test	25.00			25.00			25.00
Deposit Requirement (Residential)	(a)			(a)			(a)
Deposit Requirement (None Residential Meter)	(b)			(b)			(b)
Deposit Interest (b)	6.00%			6.00%			6.00%
Re-Establishment (Within 12 Months)	(c)			(c)			(c)
Re-Establishment (After Hours)	(c)			(c)			(c)
NSF Check	15.00			15.00			15.00
Deferred Payment, Per Month	1.50%			1.50%			1.50%
Meter Re-Read	5.00			5.00			5.00
Charge of Moving Customer Meter -							
Customer Requested per Rule R14-2-405B	Cost			Cost			Cost
After hours service charge, per Rule R14-2-403D	Refer to Above Charges			Refer to Above Charges			Refer to Above Charges
Late Charge per month	1.50%			1.50%			1.50%
Off-site Facilities Hook-up Fee (See H-3, page 5)	(d)			(d)			(d)
CAP Hook-up Fee (See H-3, page 5)	(e)			(e)			(e)

- (a) Residential - two times the average bill. Non-residential - two and one-half times the maximum monthly bill.
(b) Interest per Rule R14-2-403(B).
(c) Minimum charge times number months off the system. per Rule R14-2-403(D).
(d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage, and pressure among all new service connections.
(e) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-division.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).
ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,

Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,931	\$ 42.59	\$ 34.08	\$ (8.51)	-19.99%
Median Usage	6,000	40.50	32.28	\$ (8.22)	-20.30%
Staff Recommended					
Average Usage	6,931	\$ 42.59	\$ 29.68	\$ (12.92)	-30.32%
Median Usage	6,000	40.50	27.50	\$ (13.00)	-32.10%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.00	\$ 22.47	-16.78%	\$ 16.50	-38.89%
1,000	29.25	23.96	-18.10%	18.08	-38.19%
2,000	31.50	25.44	-19.24%	19.66	-37.59%
3,000	33.75	26.93	-20.22%	21.24	-37.07%
4,000	36.00	28.41	-21.08%	22.82	-36.61%
5,000	38.25	30.35	-20.67%	25.16	-34.22%
6,000	40.50	32.28	-20.30%	27.50	-32.10%
7,000	42.75	34.22	-19.96%	29.84	-30.20%
8,000	45.25	36.15	-20.11%	32.18	-28.88%
9,000	47.75	38.09	-20.24%	34.52	-27.71%
10,000	50.25	40.02	-20.36%	36.86	-26.65%
11,000	52.75	42.51	-19.42%	39.67	-24.80%
12,000	55.25	44.99	-18.57%	42.48	-23.11%
13,000	57.75	47.48	-17.79%	45.29	-21.58%
14,000	60.25	49.96	-17.08%	48.10	-20.17%
15,000	62.75	52.45	-16.42%	50.91	-18.87%
16,000	65.25	54.93	-15.82%	53.72	-17.67%
17,000	67.75	57.42	-15.25%	56.53	-16.56%
18,000	70.25	59.90	-14.73%	59.34	-15.53%
19,000	72.75	62.39	-14.25%	62.15	-14.57%
20,000	75.25	64.87	-13.79%	64.96	-13.67%
25,000	87.75	77.30	-11.91%	79.01	-9.96%
30,000	100.25	89.72	-10.50%	93.06	-7.17%
35,000	112.75	102.15	-9.41%	107.11	-5.00%
40,000	125.25	114.57	-8.53%	121.16	-3.27%
45,000	137.75	127.00	-7.81%	135.21	-1.84%
50,000	150.25	139.42	-7.21%	149.26	-0.66%
75,000	212.75	201.55	-5.27%	219.51	3.18%
100,000	275.25	263.67	-4.21%	289.76	5.27%

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
JOHNSON UTILITIES, L.L.C., FOR AN)
INCREASE IN ITS WATER AND)
WASTEWATER RATES FOR CUSTOMERS)
WITHIN PINAL COUNTY, ARIZONA)
_____)

DOCKET NO. WS-02987A-08-0180

WASTEWATER DIVISION

SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 31, 2009

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**EXECUTIVE SUMMARY
JOHNSON UTILITIES, LLC
WASTEWATER DIVISION
DOCKET NO. WS-02987A-08-0180**

Staff's surrebuttal testimony recommends revised rates that would decrease operating revenues by \$1,085,500 to produce operating revenues of \$10,268,514 resulting in operating income of \$1,026,914 or a 9.56 percent decrease from test year revenues of \$11,354,014. Staff also recommends a revised FVRB of negative \$2,835,084.

Revenue Requirement

Staff recommends its revised revenue requirement, revised revenue decrease, and revised percentage of revenue decrease.

Rate Base

Staff recommends a revised rate base, responds to the Company's comments to Staff's plant in service adjustments, and further comments on why Staff continues to recommend the disallowance of some of the plant in service items.

Income Statement

Staff responds to the Company's comments on income tax expense.

Rate Design

Staff recommends a revised rate design.

Recommendation

Staff recommends approval of its rates and charges as depicted on Schedule JMM-WW24.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Jeffrey M. Michlik who filed direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff, to the rebuttal testimony of Johnson Utilities, LLC ("Company") witnesses, Mr. Thomas J. Bourassa and Mr. Brian Tompsett, regarding revenue requirement, rate base, operating revenues and expenses, and rate design.

Q. Did you attempt to address every issue the Company raised in its rebuttal testimony?

A. No. Staff limited its discussion to the specific issues as outlined below. Staff's lack of response to any issue in this proceeding should not be construed as agreement with the Company's position in its rebuttal testimony; rather where there is no response, Staff relies on its original direct testimony.

Q. Please explain how Staff's surrebuttal testimony is organized.

A. Staff's surrebuttal testimony is generally organized to present issues that both Mr. Bourassa and Mr. Tompsett present in their rebuttal testimonies.

REVENUE REQUIREMENT

Q. Has Staff reviewed Mr. Bourassa's and Mr. Tompsett's rebuttal testimony regarding revenue requirement?

A. Yes.

Q. Please summarize the proposed and recommended revenue requirement, revenue increase/decrease, and percentage increase/decrease.

A. The proposed and recommended revenue requirement, revenue increase/(decrease), and percentage increase/(decrease) are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Increase/(Decrease)</u>	<u>Percentage</u>
Company-Direct	\$13,528,467	\$2,239,804	19.84 percent
Staff-Direct	\$ 9,886,014	(\$1,468,000)	-12.93 percent
RUCO-Direct	\$11,962,300	\$ 608,286	5.36 percent
Company-Rebuttal	\$13,680,546	\$2,326,532	20.49 percent
Staff-Surrebuttal	\$10,268,514	(\$1,085,500)	-9.56 percent

RATE BASE

Q. Has Staff reviewed Mr. Tompsett's and Mr. Bourassa's rebuttal testimony regarding rate base?

A. Yes.

Q. Would Staff please identify each party's respective rate base recommendations?

A. Yes. The rate bases proposed and recommended by all parties in the case are as follows:

	<u>OCRB</u>	<u>FVRB</u>
1		
2	Company-Direct	\$19,149,173
3	Staff-Direct	(\$12,663,489)
4	RUCO-Direct	\$19,457,670
5	Company Rebuttal	\$17,479,735
6	Staff Surrebuttal	(\$2,835,084)

7

8 **Q. Are there any adjustments to plant in service that Staff did not make in direct**
9 **testimony, but would like to make now for the wastewater division?**

10 A. Yes, Staff would like to adjust for the plant that Staff determined to be: 1) post test year,
11 2) not used and useful, or 3) having excess capacity. Staff had not made a corresponding
12 adjustment to Advances-in-Aid of Construction ("AIAC") or Contributions-in aid of
13 Construction ("CIAC") for these plant adjustments. These amounts are temporary
14 adjustments to the Company's rate base, as the Company will receive a return on the plant
15 investments in the next rate case if it can provide Staff with adequate supporting source
16 documentation (i.e. invoices) to substantiate these plant amounts, as well as providing
17 evidence that the plant is then used and useful or no longer excess capacity.

18

19 **Q. Why did Staff not make this adjustment in its direct testimony?**

20 A. Staff was unable to make the corresponding adjustment to AIAC or CIAC, because the
21 Company did not adequately identify these amounts until the information was provided in
22 its rebuttal testimony.

1 **Q. Based on Mr. Bourassa's rebuttal testimony at page 14, was the Company able to**
2 **correlate the amount of CIAC associated with Staff's disallowance of post test year**
3 **plant in the amount of \$2,684,888?**

4 A. Yes, of the \$2,684,888 that Staff disallowed, the Company states that all \$2,684,888 was
5 funded with CIAC.

6
7 **Q. Did the Company provide supportive documentation for these amounts?**

8 A. The Company did not provide Staff with supporting documentation for these amounts as
9 the Company provided no invoices. However, Staff has accepted this adjustment to
10 remove \$2,684,888 from CIAC based on the Company's representation only. This
11 adjustment is reflected in Staff Schedule JMM-WW4.

12
13 **Q. Based on Mr. Bourassa's rebuttal testimony at page 13, was the Company able to**
14 **correlate the amount of AIAC and CIAC associated with Staff disallowance of plant**
15 **in the amount of \$4,595,298 that was deemed to be not used and useful?**

16 A. Yes, of the \$4,595,298 that Staff disallowed, the Company states that \$2,209,026 was
17 funded with AIAC and \$1,433,032 was funded with CIAC. The remaining balance of
18 \$953,240, Staff assumes to be funded with equity.

19
20 **Q. Did the Company provide supportive documentation for these amounts?**

21 A. The Company did not provide Staff with supporting documentation for these amounts as
22 the Company provided no invoices. However, Staff has accepted these adjustments to
23 remove \$2,209,026 from AIAC and \$1,433,032 from CIAC based on the Company's
24 representation only. This adjustment is reflected in Staff Schedule JMM-WW5.

1 **Q. Based on Mr. Bourassa's rebuttal testimony at page 20, was the Company able to**
2 **correlate the amount of CIAC associated with Staff disallowance of plant in the**
3 **amount of \$5,443,062 that was deemed to be excess capacity?**

4 A. Yes, of the \$5,443,062 that Staff disallowed, the Company states that \$3,697,251 was
5 funded with CIAC. The remaining balance of \$1,745,811, Staff assumes to be funded
6 with equity.

7
8 **Q. Did the Company provide supportive documentation for these amounts?**

9 A. The Company did not provide Staff with supporting documentation for these amounts as
10 the Company provided no invoices. However, Staff has accepted this adjustment to
11 remove \$3,697,251 from CIAC based on the Company's representation only. This
12 adjustment is reflected in Staff Schedule JMM-WW6.

13
14 **A. POST TEST YEAR PLANT**

15 **Q. Mr. Tompsett states on page 34 of his rebuttal testimony that the post test year plant**
16 **consists of three items. Please identify these post test year plant items.**

17 A. The Parks lift station, the Hunt Highway south force main, and the Queen Creek leach
18 field.

19
20 **Q. Did Staff determine that the Parks lift station was used and useful during the test**
21 **year?**

22 A. Yes.

23
24 **Q. Did the Company retire any of the plant that it replaced with these upgrades?**

25 A. No.

1 **Q. As a result, Staff cannot make a determination on the plant value to be assigned to**
2 **the Parks lift station and no adjustment should be made to include this post test year**
3 **plant, until such a determination can be made?**

4 A. Yes.

5
6 **Q. Did Staff determine that the Hunt Highway south force main was used and useful**
7 **during the test year?**

8 A. Yes.

9
10 **Q. Did the Company provide documentation in response to data request JMM 12-1?**

11 A. Yes, however Staff is skeptical about the documentation that the Company provided as all
12 of the invoices are from the Company's affiliate. To make a proper determination, Staff
13 would need to look at the affiliate's records and source documentation.

14
15 **Q. Did Staff ask to look at the Company's affiliate records in regards to post test year**
16 **plant?**

17 A. Yes.

18
19 **Q. Has the Company responded?**

20 A. No.

21
22 **Q. Did Staff determine that the Queen Creek leach field was used and useful during the**
23 **test year?**

24 A. Staff was unable to make a determination, but now believes the project may not be used
25 and useful.

1 **Q. So it is Staff's position that this item should be looked at in a subsequent rate case?**

2 A. Yes.

3

4 **Q. Didn't the Company state in its original application that it wanted \$2,684,888 in post**
5 **test year plant?**

6 A. Yes, however, now the Company states that some of the post test year plant should be
7 included in the test year and has increased its post test year plant by \$537,607.

8

9 **Q. So the Company now wants its "test-year/post-year-plant" increased by \$537,607 to**
10 **\$3,222,495?**

11 A. Yes.

12

13 **Q. What is Staff's position?**

14 A. Staff believes that all \$3,222,495 should be removed from plant.

15

16 **Q. Does Staff have any further recommendations?**

17 A. Yes, Staff recommends in subsequent rate cases, the Company it be required to adequately
18 support its plant and additions. Failure to do so should result in Staff's recommendation of
19 total disallowance.

20

21 **B. UNEXPENDED HOOK-UP FEES (CIAC)**

22 **Q. On the issue of unexpended Hook-up Fees ("HUFs"), does Staff have any comments?**

23 A. Yes. Staff addressed most of the issues in direct testimony, but would like to comment on
24 the Company's rebuttal response.

1 **Q. Do you agree with Mr. Bourassa's statement on page 24 of his rebuttal testimony**
2 **that, "under a typical approach, a utility builds capacity in advance and then collects**
3 **HUF's individually upon each new connection."**

4 A. Yes.

5
6 **Q. How does the Company state it collects HUFs?**

7 A. The Company states on page 21 that HUFs are collected "well in advance of providing
8 service to customers for whom the HUF is credited." The Company further states on page
9 23, that, if a developer has paid a HUF, "a customer lot is covered regardless of when the
10 customer connects. That could be one to two years out into the future, depending on the
11 collection schedule of HUFs made by agreement between the Company and the
12 developers(s)."

13
14 **Q. Does the Company's methodology differ from that of other water and wastewater**
15 **utilities?**

16 A. Yes, some Commission-regulated water and wastewater utilities build new capacity plant
17 first and collect HUFs later when customers connect to the system. By collecting HUFs in
18 this manner, the money they invest in the new plant is advanced by the utility until a
19 sufficient number of customers hook up to the system. The Company's method of
20 collecting hook-up fees avoids advancing funds because the Company is not obligated to
21 build new plant (i.e. expend money) unless it has HUF funds to do so.

1 **Q. Does the Company's argument warrant departure from the Commission's typical**
2 **treatment of CIAC?**

3 A. No, it does not. The removal of CIAC from rate base is not warranted as you cannot
4 remove the collection of the HUFS from rate base.

5
6 **C. AFFILIATE PROFIT TIMELINE**

7 **Q. On page 5 of the Company's rebuttal testimony, Mr. Bourassa states that Staff's**
8 **profit percentage is grossly overstated, please explain how Staff derived this**
9 **percentage.**

10 A. This percentage was based on Company responses to Staff data requests, which will be
11 explained in more depth below.

12
13 **Q. Did Staff ask if the Company had affiliate profit?**

14 A. Yes. In Staff data request 1.18.

15
16 **Q. What was the Company's response?**

17 A. The Company's response was as follows:

18 *"No specific profit component has been added to the office rent*
19 *rates or the effluent recharge pond lease rate. The rent rates and*
20 *lease rate are based on fair market values. The profit component*
21 *on the payments Johnson Utilities receives from Central Arizona*
22 *Solid Waste for water service is being determined in the course of*
23 *this rate case."*
24

1 **Q. What was the Company's response to Staff data request JMM 4-1?**

2 A. The Company stated that the affiliates included a profit and overhead percentage in their
3 contracts that ranged from 5 to 10 percent, but provided no supporting documentation of
4 how the 5 to 10 percent mark-up was calculated.

5
6 **Q. Did Staff ask the Company to identify all contracts in which the profit percentage
7 was under 10 percent?**

8 A. Yes. See Staff data request JMM 6-6.

9
10 **Q. What information did the Company provide to Staff?**

11 A. The Company stated in its response that AIAC contracts contained an overhead
12 component and a profit component. The combination of the overhead component and the
13 profit component is always 10 percent or less of the total construction contract price. The
14 Company does not include anything that would be described as an "overhead profit" in its
15 construction contracts.

16
17 **Q. What did Staff ask for in Staff data request JMM 9-2.**

18 A. Staff requested electronic copy(ies) of the Company's (with formulas intact) work papers
19 used to estimate affiliate profit by year and by plant item.

20
21 **Q. What was the Company's response?**

22 A. Regarding the 10 percent mark-up, the Company responded that it only adds 2 percent
23 profit and the other 8 percent is overhead. The Company then used 1.75 percent, the 2
24 percent less the sales tax, and applied this to all projects the Company claims the affiliate
25 constructed.

1 **Q. What did Company witness Mr. Bourassa say regarding Staff's disallowance of**
2 **overhead or profit?**

3 A. Mr. Bourassa on page 5 of his rebuttal testimony, states that the profit percentage of 7.5
4 percent is grossly overstated.

5
6 **Q. In Staff's direct testimony, did it recommend disallowance of overhead or profit?**

7 A. Yes.

8
9 **Q. What is Staff's basis for disallowance?**

10 A. Although Staff recognizes each case stands on its own, Staff relied on Decision No.
11 69335, in which the Commission considered all of that utility's mark-up as overhead. In
12 that case, as in this case, the utility could not provide supporting source documentation for
13 its overhead costs.

14
15 **Q. Was Staff able to verify that the affiliate constructed these plant items?**

16 A. No.

17
18 **D. STAFF'S APPLICATION OF THE 7.5 PERCENT DISALLOWANCE ON**
19 **ALL PLANT**

20 **Q. Why did Staff decide to apply 7.5 percent to all plant, not just on the amount the**
21 **Company claimed to be plant constructed by affiliates?**

22 A. In response to data request JMM 9-2, the Company provided canceled checks and bank
23 statements showing electronic transfers to provide support for payments made for plant.
24 Staff reviewed the canceled checks and bank statements and found that payments were
25 made to a Company affiliate.

1 **Q. Was Staff's 7.5 percent disallowance reasonable?**

2 A. Yes. Staff reviewed the documentation provided in response to Staff's data requests.
3 Some of the documentation provided by the Company conflicted with statements made by
4 the Company. Also, the weight of the audit evidence indicated that the Company did not
5 maintain records in accordance with Commission rules and the National Association of
6 Regulatory Utility Commissioners Uniform System of Accounts; therefore, Staff could not
7 rely on financial information proffered by the Company unless it was adequately
8 supported with underlying source documentation. Given that all the checks and bank
9 statements indicated affiliates were involved in constructing the plant and given that the
10 Company could not adequately document its break-out of what was profit and what was
11 overhead, a 7.5 percent disallowance was reasonable. Further, the 7.5 percent is fair and
12 reasonable as most of the contracts Staff reviewed in response to data request JMM 7-1
13 included a mark-up of 10 percent; whereas, only a few of the contracts had a markup of 5
14 percent.

15
16 **Q. Based on all of the documentation that the Company provided, what is Staff's**
17 **conclusion?**

18 A. The Company used affiliates to construct approximately all plant after 1998.
19

20 **Q. Has the Company provided documentation that any major construction did not**
21 **include an affiliate?**

22 A. No, not for any construction since 1998.
23

1 **Q. Please comment on Mr. Bourassa's statement on page 7 of his rebuttal testimony,**
2 **"Even if it were to be found that there was profit of 7.5 percent, I would only apply it**
3 **to the base contract costs. Following a similar analysis as above, the correct**
4 **percentage to apply to the total contract cost would be only 6.7 percent."**

5 A. While Mr. Bourassa may be correct in correlating the 7.5 percent profit on total costs to
6 6.7 percent profit on net contract costs, Staff would also point out that, following Mr.
7 Bourassa's methodology, if the base contract were \$100 and taxes were 4.00 percent, then
8 the percentage required for a 10 percent mark-up would be 8.8 percent (i.e. 10/114).
9

10 **Q. Why did Staff choose to use 7.5 percent as the appropriate adjustment?**

11 A. In response to various Staff data requests the Company's documentation indicated that
12 some contracts contained a 5 percent mark-up, while most of the contracts viewed by Staff
13 indicated a 10 percent mark-up. Staff believed setting the adjustment at the mid-point was
14 appropriate in its direct testimony.
15

16 **Q. In light of Mr. Bourassa's rebuttal testimony and the above information, does Staff**
17 **believe a change in the percentage of the adjustment is necessary?**

18 A. No. Staff believed that 7.5 percent was appropriate as the mid-point of the range between
19 5 and 10 percent in its direct testimony. Staff continues to believe that the 7.5 percent is
20 appropriate based on the factors of the 6.7 percent (for the 7.5 percent) to 8.8 percent (for
21 the 10 percent) and the weighting towards the more prevalent 10 percent profit, as
22 confirmed in Staff's audit.
23

1 **E. AFFILIATE RECORDS**

2 **Q. Does the class or size of a utility determine the requirement to maintain and provide**
3 **adequate documentation?**

4 A. No.

5
6 **Q. Was Staff able to review an audited report of the Company's 2006 financial**
7 **statements?**

8 A. Yes.

9
10 **Q. What did Staff note in the audit report?**

11 A. Note 3 to the financial statements in regards to related parties states that the affiliate
12 "Contracts to perform substantially all of the water and sewer system construction for the
13 Company." (Emphasis added).

14
15 **F. PLANT ADDITIONS TIMELINE**

16 **Q. Did Staff ask the Company several times for plant documentation?**

17 A. Yes. Staff requested plant documentation on Staff's data requests JMM 1-43, 1-44, 4-2, 7-
18 1, 7-2, 8-7, 8-8, 9-1, and 10-11. During the course of the audit, Staff sent additional data
19 requests attempting to obtain the information that the Company was not providing to Staff.
20 Some of the Company's responses were vague or non-responsive which in turn, resulted
21 in more data requests. The Company's untimely response time also impeded Staff's
22 ability to conduct certain audit procedures in a timely manner.

1 **G. STAFF DISALLOWANCE OF 10 PERCENT OF PLANT ITEMS**

2 **Q. Do you agree with Mr. Bourassa's statements that a corresponding adjustment must**
3 **be made to AIAC and CIAC in relation to Staff's disallowance of plant and that to**
4 **ignore these corresponding adjustments creates a mismatch and results in an**
5 **understatement of rate base?**

6 **A. No, not in this case, as the Company has insufficient records to support its plant.**
7

8 **Q. Where should the Company make the corresponding adjustment, or match, for**
9 **Staff's reduction in plant.**

10 **A. The Company should lower its equity, as Staff is recommending a permanent**
11 **disallowance of 10 percent in the Company's plant balances.**
12

13 **Q. What does the 2006 audited financial report state about the Company's plant**
14 **records?**

15 **A. "Because of the inadequacy of accounting records for the years prior to 2006, we were**
16 **unable to form an opinion regarding the amounts at which utility plant in service and**
17 **accumulated depreciation are recorded in the accompanying balance sheet at December**
18 **31, 2006, (stated at \$168,974,434 and \$8,930,075, respectively), or the amount of**
19 **depreciation expense for the year then ended (stated at \$1,799,271)."**
20

21 **Q. Is this consistent with Staff's findings?**

22 **A. Yes.**

1 **Q. Is there anything else that Staff noticed that was unusual about the 2006 independent**
2 **auditors' report?**

3 A. Yes. The plant in service balance at December 31, 2006, on a consolidated basis, was
4 \$168,974,434; but on the Company's application schedule B-2 for the water division, the
5 balance was \$74,017,063, and for the wastewater division, the balance was \$110,554,091.
6 This adds to a combined total of \$184,571,154 which is \$15,596,720 (i.e. 184,571,154 -
7 168,974,434) higher than the auditors' report.

8
9 **INCOME STATEMENT**

10 **H. INCOME TAXES**

11 **Q. Did Staff address the removal of income taxes in direct testimony?**

12 A. Yes.

13
14 **Q. On page 27 of his rebuttal testimony, Mr. Tompsett states, "If the Company was a**
15 **subchapter "C" corporation, there would be no question that income taxes should**
16 **properly be included in the expense of the Company. Under that scenario, the rates**
17 **paid by customers would appropriately reflect the inclusion of income tax expense."**
18 **Does Staff agree with that statement?**

19 A. Yes.

20
21 **Q. Please respond to Mr. Tompsett's statement on page 26 of his rebuttal testimony that**
22 **"the removal of income taxes from the expenses of a limited liability company**
23 **discriminates against customers of subchapter "C" corporations."**

24 A. Staff does not agree.
25

1 **Q. Can a limited liability company elect to be taxed as subchapter "C" corporation?**

2 A. Yes.

3
4 **Q. So the Company, if it chose, could have elected to be taxed as a subchapter "C"**
5 **corporation, and included income taxes as assessed by the Internal Revenue Service**
6 **in this rate case?**

7 A. Yes, but then Staff would have to review the reasons why such election was made and
8 make appropriate recommendations.

9
10 **Q. Did Staff ask for a copy of the Tax Allocation and Reimbursement Agreement ("Tax**
11 **Agreement")?**

12 A. Yes.

13
14 **Q. So it is not an agreement between the rate payers and the LLC members of the**
15 **Company?**

16 A. No, it is not.

17
18 **DISCONTINUANCE OF HOOK-UP FEES**

19 **Q. Did Staff address the discontinuance of Hook-up Fees in direct testimony?**

20 A. Yes.

21
22 **Q. Would Staff like to add additional comments?**

23 A. Yes. Due to the Company's inadequate accounting records, Staff now recommends that,
24 in the future, a Certified Public Accounting firm attest to the Company's membership
25 equity level of 40 percent in order for the Company to reapply for HUFs.

1 **RATE DESIGN**

2 **Q. Has Staff's rate design changed as a result of some of the Company's rebuttal**
3 **testimony?**

4 **A. Yes, Staff has provided a revised rate design. See Schedule JMM-WW24.**
5

6 **Q. What is the rate impact on a 3/4-inch meter residential customer?**

7 **A. The 3/4-inch meter residential customers would experience a \$8.33 or an 21.63 percent**
8 **increase in their monthly bill, from \$38.50 to \$46.83, under the Company's original**
9 **proposed rates and a \$3.64 or an 9.45 percent decrease in the monthly bill, from \$38.50 to**
10 **\$34.86, under Staff's recommended rates.**
11

12 **Q. Does this conclude your surrebuttal testimony?**

13 **A. Yes, it does.**

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 19,149,173	\$ 19,149,173	\$ (2,835,084)	\$ (2,835,084)
2					
3	Adjusted Operating Income (Loss)	\$ 592,491	\$ 592,491	\$ 2,089,047	\$ 2,089,047
4					
5	Staff Recommended Operating Income	N/A	N/A	\$ 1,026,914	\$ 1,026,914
6					
7	Current Rate of Return (L3 / L1)	3.09%	3.09%	N/A	N/A
8					
9	Required Rate of Return	10.43%	10.43%	N/A	N/A
10					
11	Required Operating Income (L1 * L9)	\$ 1,997,259	\$ 1,997,259	N/A	N/A
12					
13	Operating Income Deficiency (L11 - L3)	\$ 1,404,768	\$ 1,404,768	N/A	N/A
14					
15	Gross Revenue Conversion Factor	1.5944	1.5944	1.00000	1.0000
16					
17	Required Revenue Increase/Decrease	\$ 2,239,804	\$ 2,239,804	\$ (1,085,500)	\$ (1,085,500)
18					
19	Adjusted Test Year Revenue	\$ 11,288,663	\$ 11,288,663	\$ 11,354,014	\$ 11,354,014
20					
21	Proposed/Recommended Annual Revenue	\$ 13,528,467	\$ 13,528,467	\$ 10,268,514	\$ 10,268,514
22					
23	Required Increase/Decrease in Revenue (%)	19.84%	19.84%	-9.56%	-9.56%
24					
25	Current Operating Margin (L3/L19)	5.25%	5.25%	18.40%	18.40%
26					
27	Required Operating Margin	N/A	N/A	10.00%	10.00%

References:

Columns [A] and [B]: Company Schedules A-1, A-2, & D-1
Columns [C] and [D]: STAFF Schedules JMM-2, JMM-13

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1				
2	Plant in Service	\$ 126,534,591	\$ (33,541,645)	\$ 92,992,946
3	Less: Accumulated Depreciation	7,923,683	(1,674,032)	6,249,651
4	Net Plant in Service	<u>\$ 118,610,908</u>	<u>\$ (31,867,613)</u>	<u>\$ 86,743,295</u>
5				
6	<u>LESS:</u>			
7				
8	Advances in Aid of Construction (AIAC)	54,440,657		52,231,631
9				
10	Contributions in Aid of Construction (CIAC)	\$ 48,931,590	\$ (7,815,171)	\$ 41,116,419
11	Less: Accumulated Amortization	2,907,181	862,489	3,769,670
12	Net CIAC	<u>46,007,904</u>	<u>(8,661,155)</u>	<u>37,346,749</u>
13				
14	Customer Meter Deposits	-	-	-
15				
16	<u>ADD:</u>			
17				
18	Materials and Supplies	-	-	-
19				
20	Deferred Assets	<u>986,826</u>	<u>(986,826)</u>	<u>-</u>
21				
22	Original Cost Rate Base	<u>\$ 19,149,173</u>	<u>\$ (21,984,257)</u>	<u>\$ (2,835,084)</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-WW3

Column (C): Column (A) + Column (B)

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED B-2	(B) ADJ #1 Post Test Year Plant	(C) ADJ #2 Used and Useful	(D) ADJ #3 Excess Capacity	(E) ADJ #4 Unsupplied Plant	(F) ADJ #5 Affiliated Profit	(G) ADJ #6 Accumulated Depreciation
1									
2									
3									
4									
5		PLANT IN SERVICE:							
6		351.00 Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7		352.00 Franchise Cost	-	-	-	-	-	-	-
8		353.00 Land and Land Rights	4,122,800	-	-	-	(324,780)	(243,585)	-
9		354.00 Structures and Improvements	453,683	-	(14,481)	-	(25,712)	(19,284)	-
10		355.00 Power Generation Equipment	-	-	-	-	-	-	-
11		360.00 Collection Sewers - Force	20,136,241	-	(1,579,593)	-	(2,013,624)	(1,510,218)	-
12		361.00 Collection Sewers - Gravity	24,287,592	-	-	-	(2,051,613)	(1,538,709)	-
13		362.00 Special Collecting Structures	-	-	-	-	-	-	-
14		363.00 Services to Customers	-	-	-	-	2,575	1,931	-
15		364.00 Flow Measuring Devices	-	-	-	-	701	526	-
16		365.00 Flow Measuring Installations	-	-	-	-	-	-	-
17		370.00 Receiving Wells	-	-	-	-	-	-	-
18		371.00 Pumping Equipment	7,613,723	-	-	-	(760,206)	(570,155)	-
19		375.00 Reuse T&D	958,646	-	-	-	(95,865)	(71,895)	-
20		380.00 Treatment and Disposal Equipment	-	-	-	-	-	-	-
21		381.00 Plant Sewers	66,277,038	-	(3,001,214)	(5,443,062)	(6,627,704)	(4,970,778)	-
22		382.00 Outfall Sewer Lines	-	-	-	-	-	-	-
23		389.00 Other Plant and Misc. Equipment	-	-	-	-	-	-	-
24		390.00 Office Furniture and Equipment	-	-	-	-	-	-	-
25		391.00 Transportation Equipment	-	-	-	-	-	-	-
26		393.00 Tools, Shop and Garage Equipment	-	-	-	-	-	-	-
27		394.00 Laboratory Equipment	-	-	-	-	-	-	-
28		395.00 Power Operated Equipment	-	-	-	-	-	-	-
29		398.00 Other Tangible Plant	-	-	-	-	-	-	-
30		Total Plant in Service - Actual	\$ 123,849,703	\$ (2,684,888)	\$ (4,595,298)	\$ (5,443,062)	\$ (11,896,227)	\$ (8,922,170)	\$ -
31		Post Test Year Plant	2,684,888	(2,684,888)	-	(5,443,062)	(11,896,227)	(8,922,170)	-
32		Total Plant in Service	126,534,591	(2,684,888)	(4,595,298)	-	-	-	-
33		Less: Accumulated Depreciation - Actual	\$ 7,667,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,418,205)
34		Less: Accumulated Depreciation - Pro Forma	255,827	-	-	-	-	-	(255,827)
35		Total Accumulated Depreciation - Adjusted	\$ 7,923,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,674,032)
36									
37		Net Plant in Service	\$ 118,610,908	\$ (2,684,888)	\$ (4,595,298)	\$ (5,443,062)	\$ (11,896,227)	\$ (8,922,170)	\$ 1,674,032
38									
39		LESS:							
40		Advances in Aid of Construction (AIAC)	\$ 54,440,657	\$ -	\$ (2,209,026)	\$ -	\$ -	\$ -	\$ -
41									
42		Contributions in Aid of Construction (CIAC)	\$ 48,931,590	\$ (2,684,888)	\$ (1,433,032)	\$ (3,697,251)	\$ -	\$ -	\$ -
43		Plus: CIAC - Pro Forma	(16,505)	-	-	-	-	-	-
44		Total CIAC - Adjusted	\$ 48,915,085	\$ (2,684,888)	\$ (1,433,032)	\$ (3,697,251)	\$ -	\$ -	\$ -
45									
46		Less: Accumulated Amortization	\$ 3,304,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47		Plus: Accumulated Amortization - Pro Forma	(397,390)	-	-	-	-	-	-
48		Total Accumulated Amortization	\$ 2,907,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49									
50		Net CIAC	\$ 46,007,904	\$ (2,684,888)	\$ (1,433,032)	\$ (3,697,251)	\$ -	\$ -	\$ -
51									
52		Total Advances and Net Contributions	\$ 100,448,561	\$ (2,684,888)	\$ (3,642,058)	\$ (3,697,251)	\$ -	\$ -	\$ -
53									
54		ADD:							
55		Deferred Assets							

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(H) ADJ #7 CIAC	(I) ADJ #8 Amort CIAC	(J) ADJ #9 Deferred Assets	(K) STAFF ADJUSTED Total
1						
2						
3						
4						
5		<u>PLANT IN SERVICE:</u>				
6		351.00 Organization Cost	\$ -	\$ -	\$ -	-
7		352.00 Franchise Cost	-	-	-	-
8		353.00 Land and Land Rights	-	-	-	3,554,435
9		354.00 Structures and Improvements	-	-	-	394,177
10		355.00 Power Generation Equipment	-	-	-	-
11		360.00 Collection Sewers - Force	-	-	-	15,032,806
12		361.00 Collection Sewers - Gravity	-	-	-	20,697,270
13		362.00 Special Collecting Structures	-	-	-	-
14		363.00 Services to Customers	-	-	-	4,507
15		364.00 Flow Measuring Devices	-	-	-	1,227
16		365.00 Flow Measuring Installations	-	-	-	-
17		370.00 Receiving Wells	-	-	-	6,283,362
18		371.00 Pumping Equipment	-	-	-	790,883
19		375.00 Reuse T&D	-	-	-	-
20		380.00 Treatment and Disposal Equipment	-	-	-	46,234,280
21		381.00 Plant Sewers	-	-	-	-
22		382.00 Outfall Sewer Lines	-	-	-	-
23		388.00 Other Plant and Misc. Equipment	-	-	-	-
24		390.00 Office Furniture and Equipment	-	-	-	-
25		391.00 Transportation Equipment	-	-	-	-
26		393.00 Tools, Shop and Garage Equipment	-	-	-	-
27		394.00 Laboratory Equipment	-	-	-	-
28		395.00 Power Operated Equipment	-	-	-	-
29		398.00 Other Tangible Plant	-	-	-	-
30		Total Plant in Service - Actual	\$ -	\$ -	\$ -	\$ 92,992,946
31		Post Test-Year Plant	-	-	-	92,992,946
32		Total Plant in Service	-	-	-	-
33		Less: Accumulated Depreciation - Actual	\$ -	\$ -	\$ -	\$ 6,249,661
34		Less: Accumulated Depreciation - Pro Forma	-	-	-	-
35		Total Accumulated Depreciation - Adjusted	\$ -	\$ -	\$ -	\$ 6,249,661
36		Net Plant in Service	\$ -	\$ -	\$ -	\$ 86,743,285
37						
38						
39		<u>LESS:</u>				
40		Advances in Aid of Construction (AIAC)	\$ -	\$ -	\$ -	\$ 52,231,631
41						
42						
43		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ 41,116,419
44		Plus: CIAC - Pro Forma	-	-	-	-
45		Total CIAC - Adjusted	\$ 16,505	\$ -	\$ -	\$ 41,116,419
46						
47						
48		Less: Accumulated Amortization	\$ -	\$ 862,489	\$ -	\$ 4,167,060
49		Plus: Accumulated Amortization - Pro Forma	-	-	-	(397,390)
50		Total Accumulated Amortization	\$ -	\$ 862,489	\$ -	\$ 3,769,670
51		Net CIAC	\$ 16,505	\$ (862,489)	\$ -	\$ 37,346,749
52						
53		Total Advances and Net Contributions	\$ 16,505	\$ (862,489)	\$ -	\$ 89,578,380
54						
55						
56		<u>ADD:</u>				
57		Deferred Assets	\$ -	\$ -	\$ (986,826)	\$ -
58		Allowance for Working Capital	-	-	-	-
59		Intentionally left blank	-	-	-	-
60						
61						
62						
63						
64		Original Cost Rate Base	\$ (16,505)	\$ 862,489	\$ (986,826)	\$ (2,835,084)

Johnson Utilities L.L.C. - Wastewater Division
Docket No. W-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW4

ORIGINAL COST RATE BASE ADJUSTMENT #1 - POST TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1		Post Test Year Plant	\$ 2,684,888	\$ (2,684,888)	\$ -

REFERENCES:

Column [A]: Company Filing
Column [B]: Staff Testimony
Column [C]: Column [A] + Column [B]

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Contributions in Aid of Construction (CIAC)	\$ 48,931,590	\$ (2,684,888)	\$ 30,718,261

REFERENCES:

Column [A]: Company Filing
Column [B]: Surrebuttal Testimony JMM
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	Acct. No.	DESCRIPTION	[A]	[B]	[C]
			PLANT IN SERVICE Per Company	PLANT NOT USED AND USEFUL	PLANT IN SERVICE Per Staff
1	351	Organization	\$ -	\$ -	\$ -
2	352	Franchise Cost	\$ -	\$ -	\$ -
3	353	Land and Land Rights	\$ 4,122,800	\$ -	\$ 4,122,800
4	354	Structures and Improvements	\$ 453,663	\$ (14,491)	\$ 439,172
5	360	Collection Sewers - Force	\$ 20,136,241	\$ (1,579,593)	\$ 18,556,648
6	361	Collection Sewers - Gravity	\$ 24,287,592	\$ -	\$ 24,287,592
7	362	Special Collecting Structures	\$ -	\$ -	\$ -
8	363	Services to Customers	\$ -	\$ -	\$ -
9	364	Flow Measuring Devices	\$ -	\$ -	\$ -
10	371	Effluent Pumping Equipment	\$ 7,613,723	\$ -	\$ 7,613,723
11	375	Effluent T & D	\$ 958,646	\$ -	\$ 958,646
12	380	Treatment Plant	\$ -	\$ -	\$ -
13	381	Plant Sewers	\$ 66,277,038	\$ (3,001,214)	\$ 63,275,824
14	389	Other Plant Structures & Improvmnts	\$ -	\$ -	\$ -
15	390	Office Furniture and Equipment	\$ -	\$ -	\$ -
16	391	Transportation Equipment	\$ -	\$ -	\$ -
17	394	Laboratory Equipment	\$ -	\$ -	\$ -
18		Total Plant	\$ 123,849,703	\$ (4,595,298)	\$ 119,254,405

References:

Column [A]: Per Company Application

Column [B]: Staff Testimony

Column [C]: Column [A] + Column [B]

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AIAC & CIAC AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Advances in Aid of Construction (AIAC)	\$ 54,440,657	\$ (2,209,026)	\$ 36,519,048
2				
3	Contributions in Aid of Construction (CIAC)	\$ 48,931,590	\$ (1,433,032)	\$ 30,718,261

References:

Column [A]: Staff Direct Testimony

Column [B]: Surrebuttal Testimony JMM

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - EXCESS CAPACITY PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			PLANT IN SERVICE Per Company	EXCESS CAPACITY PLANT	PLANT IN SERVICE Per Staff
1	351	Organization	\$ -	\$ -	\$ -
2	352	Franchise Cost	\$ -	\$ -	\$ -
3	353	Land and Land Rights	\$ 4,122,800	\$ -	\$ 4,122,800
4	354	Structures and Improvements	\$ 453,663	\$ -	\$ 453,663
5	360	Collection Sewers - Force	\$ 20,136,241	\$ -	\$ 20,136,241
6	361	Collection Sewers - Gravity	\$ 24,287,592	\$ -	\$ 24,287,592
7	362	Special Collecting Structures	\$ -	\$ -	\$ -
8	363	Services to Customers	\$ -	\$ -	\$ -
9	364	Flow Measuring Devices	\$ -	\$ -	\$ -
10	371	Effluent Pumping Equipment	\$ 7,613,723	\$ -	\$ 7,613,723
11	375	Effluent T & D	\$ 958,646	\$ -	\$ 958,646
12	380	Treatment Plant	\$ -	\$ -	\$ -
13	381	Plant Sewers	\$ 66,277,038	\$ (5,443,062)	\$ 60,833,976
14	389	Other Plant Structures & Improvmnts	\$ -	\$ -	\$ -
15	390	Office Furniture and Equipment	\$ -	\$ -	\$ -
16	391	Transportation Equipment	\$ -	\$ -	\$ -
17	394	Laboratory Equipment	\$ -	\$ -	\$ -
18		Total Plant	\$ 123,849,703	\$ (5,443,062)	\$ 118,406,641

References:

Column [A]: Company Schedule B-2, Page 2.10

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Contributions in Aid of Construction (CIAC)	\$ 48,931,590	\$ (3,697,251)	\$ 30,718,261

REFERENCES:

Column [A]: Company Filing

Column [B]: Surrebuttal Testimony JMM

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - INADEQUATELY SUPPORTED PLANT COSTS

LINE NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] 1999 PLANT Additions	[C] INADEQUATELY SUPPORTED PLANT BALANCES (Col A - Col B)	[D] RATE	[E] AMOUNT REMOVED DUE TO INADEQUATE SUPPORT (Col C x Col D)
1	351 Organization	\$ -	\$ -	\$ -	10.00%	\$ -
2	352 Franchise Cost	\$ -	\$ -	\$ -	10.00%	\$ -
3	353 Land and Land Rights	\$ 4,122,800	\$ 875,000	\$ 3,247,800	10.00%	\$ 324,780
4	354 Structures and Improvements	\$ 453,663	\$ 196,548	\$ 257,115	10.00%	\$ 25,712
5	360 Collection Sewers - Force	\$ 20,136,241	\$ -	\$ 20,136,241	10.00%	\$ 2,013,624
6	361 Collection Sewers - Gravity	\$ 24,287,592	\$ 3,771,466	\$ 20,516,126	10.00%	\$ 2,051,613
7	362 Special Collecting Structures	\$ -	\$ 25,752	\$ (25,752)	10.00%	\$ (2,575)
8	363 Services to Customers	\$ -	\$ 7,009	\$ (7,009)	10.00%	\$ (701)
9	364 Flow Measuring Devices	\$ -	\$ -	\$ -	10.00%	\$ -
10	371 Effluent Pumping Equipment	\$ 7,613,723	\$ 11,660	\$ 7,602,063	10.00%	\$ 760,206
11	375 Effluent T & D	\$ 958,646	\$ -	\$ 958,646	10.00%	\$ 95,865
12	380 Treatment Plant	\$ -	\$ -	\$ -	10.00%	\$ -
13	381 Plant Sewers	\$ 66,277,038	\$ -	\$ 66,277,038	10.00%	\$ 6,627,704
14	389 Other Plant Structures & Improvmnts	\$ -	\$ -	\$ -	10.00%	\$ -
15	390 Office Furniture and Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
16	391 Transportation Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
17	394 Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
18	Total Plant	\$ 123,849,703	\$ 4,887,435	\$ 118,962,268		\$ 11,896,227

References:

Column [A]: Schedule JMM-3
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Testimony JMM
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 5 - CAPITALIZED AFFILIATE PROFIT IN PLANT

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		PLANT In SERVICE Per Staff	1999 PLANT Additions	PLANT BALANCES CONSTRUCTED VIA AFFILIATES (Col A - Col B)	RATE	AMOUNT OF AFFILIATE PROFIT REMOVED (Col C x Col D)
1	351 Organization	\$ -	\$ -	\$ -	7.50%	\$ -
2	352 Franchise Cost	\$ -	\$ -	\$ -	7.50%	\$ -
3	353 Land and Land Rights	\$ 4,122,800	\$ 875,000	\$ 3,247,800	7.50%	\$ 243,585
4	354 Structures and Improvements	\$ 453,663	\$ 196,548	\$ 257,115	7.50%	\$ 19,284
5	360 Collection Sewers - Force	\$ 20,136,241	\$ -	\$ 20,136,241	7.50%	\$ 1,510,218
6	361 Collection Sewers - Gravity	\$ 24,287,592	\$ 3,771,466	\$ 20,516,126	7.50%	\$ 1,538,709
7	362 Special Collecting Structures	\$ -	\$ 25,752	\$ (25,752)	7.50%	\$ (1,931)
8	363 Services to Customers	\$ -	\$ 7,009	\$ (7,009)	7.50%	\$ (526)
9	364 Flow Measuring Devices	\$ -	\$ -	\$ -	7.50%	\$ -
10	371 Effluent Pumping Equipment	\$ 7,613,723	\$ 11,660	\$ 7,602,063	7.50%	\$ 570,155
11	375 Effluent T & D	\$ 958,646	\$ -	\$ 958,646	7.50%	\$ 71,898
12	380 Treatment Plant	\$ -	\$ -	\$ -	7.50%	\$ -
13	381 Plant Sewers	\$ 66,277,038	\$ -	\$ 66,277,038	7.50%	\$ 4,970,778
14	389 Other Plant Structures & Improvmnts	\$ -	\$ -	\$ -	7.50%	\$ -
15	390 Office Furniture and Equipment	\$ -	\$ -	\$ -	7.50%	\$ -
16	391 Transportation Equipment	\$ -	\$ -	\$ -	7.50%	\$ -
17	394 Laboratory Equipment	\$ -	\$ -	\$ -	7.50%	\$ -
18	Total Plant	\$ 123,849,703	\$ 4,887,435	\$ 118,962,268		\$ 8,922,170

References:

Column [A]: Schedule JMM-3
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Testimony JMM
Column [E]: Column [C] x Column [D]

RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation - Actual	\$ 7,667,856	\$ (1,418,205)	\$6,249,651
2	Accumulated Depreciation - Pro Forma	255,827	(255,827)	-
3	Total Accumulated Depreciation - Adjusted	\$ 7,923,683	\$ (1,674,032)	\$ 6,249,651

References:

Column A: Company Schedule B-2, Page 1

Column B: Column [C] - Column [A]

Column C: Schedule JMM-6, Pages 2 though 11

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	Plant 31-Dec-98 Original Cost	31-Dec-98 Accumulated Depreciation	Depreciation Rates	1998 Additions	1998 Retirements	1998 Depr. Expense	1998 Total Cost	1998 Accumulated Depreciation
351 Organization Cost	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0.00%	0	0	\$0	0	0
353 Land & Land Rights	0	0	0.00%	0	0	\$0	0	0
354 Structures & Improvements	0	0	2.50%	0	0	\$0	0	0
360 Collection Sewers, Force	0	0	2.50%	0	0	\$0	0	0
361 Collection Sewers, Gravity	0	0	2.50%	0	0	\$0	0	0
363 Services	0	0	2.50%	0	0	\$0	0	0
364 Flow Measuring Devices	0	0	2.50%	0	0	\$0	0	0
365 Flow Measuring Installations	0	0	2.50%	0	0	\$0	0	0
371 Effluent Pumping Equipment	0	0	2.50%	0	0	\$0	0	0
375 Reuse Trans & Distribution	0	0	2.50%	0	0	\$0	0	0
380 Treatment & Disposal Equip	0	0	2.50%	0	0	\$0	0	0
381 Plant Sewers	0	0	2.50%	0	0	\$0	0	0
382 Outfall Sewer Lines	0	0	2.50%	0	0	\$0	0	0
389 Other Plant Structures & Impro	0	0	2.50%	0	0	\$0	0	0
390 Office Furniture & Fixt	0	0	2.50%	0	0	\$0	0	0
391 Transportation Equip	0	0	2.50%	0	0	\$0	0	0
393 Tools, Shop, & Garage Equip	0	0	2.50%	0	0	\$0	0	0
394 Laboratory Equipment	0	0	2.50%	0	0	\$0	0	0
395 Power Operated Equip	0	0	2.50%	0	0	\$0	0	0
396 Communications Equipment	0	0	2.50%	0	0	\$0	0	0
397 Miscellaneous Equipment	0	0	2.50%	0	0	\$0	0	0
398 Other Tangible Plant	0	0	2.50%	0	0	\$0	0	0
1998 Totals	\$0	\$0		\$0	\$0	\$0	\$0	\$0

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	1999	1999 Adjustments		Fully	1999	1999	1999 Accumulated	1999 Net
	Additions	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
Cost								
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	875,000	0	0	0	0	875,000	0	875,000
354 Structures & Improvements	196,548	0	0	0	2,457	196,548	2,457	194,091
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	3,771,466	0	0	0	47,143	3,771,466	47,143	3,724,323
363 Services	25,752	0	0	0	322	25,752	322	25,430
364 Flow Measuring Devices	7,009	0	0	0	88	7,009	88	6,921
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	11,660	0	0	0	146	11,660	146	11,514
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	0	0	0	0	0	0	0	0
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
1999 Totals	\$4,887,435	\$0	\$0	\$0	\$50,155	\$4,887,435	\$50,155	\$4,837,280

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2000 Additions	2000 Adjustments		Fully	2000	2000	2000 Accumulated	2000 Net
	Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	35,000	6,125	0	0	0	903,875	0	903,875
354 Structures & Improvements	0	0	0	0	4,914	196,548	7,371	189,177
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	1,676,637	293,411	0	0	111,577	5,154,692	158,720	4,995,971
363 Services	223,421	39,099	0	0	2,948	210,074	3,270	206,805
364 Flow Measuring Devices	0	0	0	0	175	7,009	263	6,746
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	61,500	10,763	0	0	926	62,398	1,071	61,326
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	0	0	0	0	0	0	0	0
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2000 Totals	\$1,996,558	\$349,398	\$0	\$0	\$120,539	\$6,534,595	\$170,695	\$6,363,900

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2001 Additions	2001 Adjustments		Fully	2001	2001	2001 Accumulated	2001 Net
	Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	903,875	0	903,875
354 Structures & Improvements	257,115	59,486	0	0	7,384	394,177	14,755	379,422
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	(5,448,103)	(953,418)	0	0	72,684	660,007	231,404	428,603
363 Services	(249,173)	(43,605)	0	0	2,682	4,507	5,952	(1,445)
364 Flow Measuring Devices	(7,009)	(1,227)	0	0	103	1,227	366	861
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	(73,160)	(12,803)	0	0	805	2,041	1,877	164
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	9,903,493	1,738,860	0	0	102,058	8,164,633	102,058	8,062,575
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2001 Totals	\$4,383,163	\$787,294	\$0	\$0	\$185,716	\$10,130,465	\$356,411	\$9,774,054

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2002 Additions Cost	2002 Adjustments		Fully Depreciated	2002 Depr. Expense	2002 Total Cost	2002 Accumulated Depreciation	2002 Net Book Value
		Cost Removal	Depreciation					
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	903,875	0	903,875
354 Structures & Improvements	0	0	0	0	9,854	394,177	24,609	369,568
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	1,919,454	335,904	0	0	36,295	2,243,556	267,699	1,975,858
363 Services	0	0	0	0	113	4,507	6,065	(1,558)
364 Flow Measuring Devices	0	0	0	0	31	1,227	396	830
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	0	0	0	0	51	2,041	1,928	113
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	2,177,178	381,006	0	0	226,568	9,960,805	328,626	9,632,179
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2002 Totals	\$4,096,632	\$716,911	\$0	\$0	\$272,911	\$13,510,186	\$629,323	\$12,880,864

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2003	2003 Adjustments		Fully	2003	2003	2003 Accumulated	2003 Net
	Additions Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	903,875	0	903,875
354 Structures & Improvements	0	0	0	0	9,854	394,177	34,463	359,713
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	1,387,558	242,823	0	0	70,398	3,388,291	338,097	3,050,195
363 Services	0	0	0	0	113	4,507	6,177	(1,671)
364 Flow Measuring Devices	0	0	0	0	31	1,227	427	799
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	0	0	0	0	51	2,041	1,979	62
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	5,351,569	936,525	0	0	304,208	14,375,849	632,834	13,743,015
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2003 Totals	\$6,739,127	\$1,179,347	\$0	\$0	\$384,655	\$19,069,966	\$1,013,978	\$18,055,988

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2004	2004 Adjustments		Fully	2004	2004	2004 Accumulated	2004 Net
	Additions	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
	Cost							
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	412,800	72,240	0	0	0	1,244,435	0	1,244,435
354 Structures & Improvements	0	0	0	0	9,854	394,177	44,318	349,859
360 Collection Sewers, Force	0	0	0	0	0	0	0	0
361 Collection Sewers, Gravity	11,999,101	2,099,843	0	0	208,448	13,287,550	546,545	12,741,005
363 Services	0	0	0	0	113	4,507	6,290	(1,783)
364 Flow Measuring Devices	0	0	0	0	31	1,227	458	769
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	760,640	133,112	0	0	7,895	629,569	9,874	619,694
375 Reuse Trans & Distribution	0	0	0	0	0	0	0	0
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	0	0	0	0	359,396	14,375,849	992,230	13,383,619
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2004 Totals	\$13,172,541	\$2,305,195	\$0	\$0	\$585,737	\$29,937,312	\$1,599,715	\$28,337,598

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2005	2005 Adjustments		Fully	2005	2005	2005 Accumulated	2005 Net
	Additions Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	2,800,000	490,000	0	0	0	3,554,435	0	3,554,435
354 Structures & Improvements	0	0	0	0	9,854	394,177	54,172	340,005
360 Collection Sewers, Force	173,809	30,417	0	0	1,792	143,392	1,792	141,600
361 Collection Sewers, Gravity	1,517,976	265,646	0	0	347,843	14,539,880	894,388	13,645,492
363 Services	0	0	0	0	113	4,507	6,403	(1,896)
364 Flow Measuring Devices	0	0	0	0	31	1,227	488	738
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	11,666	2,042	0	0	15,860	639,193	25,734	613,459
375 Reuse Trans & Distribution	150,039	26,257	0	0	1,547	123,782	1,547	122,235
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	24,903,518	7,353,581	0	0	578,770	31,925,786	1,571,001	30,354,786
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2005 Totals	\$29,557,008	\$8,167,941	\$0	\$0	\$955,810	\$51,326,379	\$2,555,525	\$48,770,854

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2006 Additions	2006 Adjustments		Fully	2006	2006	2006 Accumulated	2006 Net
	Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	3,554,435	0	3,554,435
354 Structures & Improvements	0	0	0	0	9,854	394,177	64,027	330,150
360 Collection Sewers, Force	18,096,052	4,056,216	0	0	179,083	14,183,228	180,875	14,002,353
361 Collection Sewers, Gravity	7,263,542	1,271,120	0	0	438,402	20,532,302	1,332,790	19,199,512
363 Services	0	0	0	0	113	4,507	6,515	(2,009)
364 Flow Measuring Devices	0	0	0	0	31	1,227	519	707
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	6,314,918	1,105,111	0	0	81,102	5,849,000	106,836	5,742,164
375 Reuse Trans & Distribution	516,167	90,329	0	0	8,418	549,620	9,965	539,655
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	13,530,947	7,810,978	0	0	869,644	37,645,756	2,440,645	35,205,111
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2006 Totals	\$45,721,626	\$14,333,754	\$0	\$0	\$1,586,647	\$82,714,251	\$4,142,172	\$78,572,079

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE
ADJUSTED TO REMOVE NOT USED & USEFUL, AFFILIATE PROFIT AND INADEQUATELY SUPPORTED PLANT COSTS

	2007	2007 Adjustments		Fully	2007	2007	2007 Accumulated	2007 Net
	Additions Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Book Value
351 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	3,554,435	0	3,554,435
354 Structures & Improvements	0	0	0	0	9,854	394,177	73,881	320,296
360 Collection Sewers, Force	1,866,380	1,016,803	0	0	365,200	15,032,806	546,076	14,486,730
361 Collection Sewers, Gravity	199,961	34,993	0	0	515,370	20,697,270	1,848,159	18,849,110
363 Services	0	0	0	0	113	4,507	6,628	(2,121)
364 Flow Measuring Devices	0	0	0	0	31	1,227	550	677
365 Flow Measuring Installations	0	0	0	0	0	0	0	0
371 Effluent Pumping Equipment	526,499	92,137	0	0	151,655	6,283,362	258,491	6,024,871
375 Reuse Trans & Distribution	292,440	51,177	0	0	16,756	790,883	26,721	764,162
380 Treatment & Disposal Equip	0	0	0	0	0	0	0	0
381 Plant Sewers	10,410,332	1,821,808	0	0	1,048,500	46,234,280	3,489,145	42,745,134
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant Structures & Impro	0	0	0	0	0	0	0	0
390 Office Furniture & Fixt	0	0	0	0	0	0	0	0
391 Transportation Equip	0	0	0	0	0	0	0	0
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	0	0	0	0
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communications Equipment	0	0	0	0	0	0	0	0
397 Miscellaneous Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2007 Totals	\$13,295,612	\$3,016,918	\$0	\$0	\$2,107,479	\$92,992,945	\$6,249,651	\$86,743,294

Johnson Utilities L.L.C. - Wastewater Division
Docket No. W-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW10

RATE BASE ADJUSTMENT NO. 7 - CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Unexpended CIAC	\$ (16,505)	\$ 16,505	\$ -

References:

Column [A]: Company Schedule B-2, Page 4

Column [B]: Testimony, CSB;

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 8 - AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

No.	Computation of CIAC Balances	Amount Recorded	PTY Plant	Used and Useful	Not Used and Useful	Excess Capacity	Unexpended Cash	Amortizable Balance	Amortization Rate	Amortization	Year	Total Amortization	Accumulated Amortization
1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
2													
3													
4													
5	Balance at 12/31/1997	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	2.50%	875	1998	875	875
6	Additions 1998	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	2.50%	875	1999	8,450	9,325
7	Balance at 12/31/1998	\$ 303,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,000	2.50%	35,134	2000	35,134	44,459
8	Additions 1999	\$ 338,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,405,352	2.50%	57,479	2001	57,479	101,938
9	Balance at 12/31/1999	\$ 1,087,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,299,152	2.50%	130,208	2002	130,208	232,146
10	Additions 2000	\$ 1,405,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,208,322	2.50%	291,591	2003	291,591	523,736
11	Balance at 12/31/2000	\$ 893,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,663,622	2.50%	508,590	2004	508,590	1,032,328
12	Additions 2001	\$ 2,299,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,343,592	2.50%	711,574	2005	711,574	1,743,900
13	Balance at 12/31/2001	\$ 2,908,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,462,942	2.50%	998,272	2006	998,272	2,742,172
14	Additions 2002	\$ 5,208,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,930,891	2.50%	1,027,498	2007	1,027,498	3,769,670
15	Balance at 12/31/2002	\$ 6,455,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,099,914					
16	Additions 2003	\$ 11,663,622	\$ -	\$ -	\$ -	\$ -	\$ -						
17	Balance at 12/31/2003	\$ 8,679,970	\$ -	\$ -	\$ -	\$ -	\$ -						
18	Additions 2004	\$ 20,343,592	\$ -	\$ -	\$ -	\$ -	\$ -						
19	Balance at 12/31/2004	\$ 8,119,350	\$ -	\$ -	\$ -	\$ -	\$ -						
20	Additions 2005	\$ 28,462,942	\$ -	\$ -	\$ -	\$ -	\$ -						
21	Balance at 12/31/2005	\$ 11,467,949	\$ -	\$ -	\$ -	\$ -	\$ -						
22	Additions 2006	\$ 39,930,891	\$ -	\$ -	\$ -	\$ -	\$ -						
23	Balance at 12/31/2006	\$ 9,000,699	\$ 2,684,888	\$ 1,433,032	\$ -	\$ 3,697,251	\$ 16,505						
24	Adjustments												
25	Balance at 12/31/2007	\$ 41,099,914	\$ -	\$ -	\$ -	\$ -	\$ -						
26													
27													
28													
29													
30													

Per Staff: 3,769,670
Per Company: 2,907,181
Staff's Adjustment: 862,489

References:
Column [A]: Company Schedule B-2, Page 4
Column [B]: Testimony, JMM
Column [C]: Column [A] + Column [B]

Johnson Utilities L.L.C. - Wastewater Division
Docket No. W-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW12

RATE BASE ADJUSTMENT NO. 9 - DEFERRED ASSETS

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Deferred Assets	\$	986,826	\$	(986,826)	\$	-

References:

Column [A]: Company Schedule B-2, Page 4

Column [B]: Testimony, CSB;

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF PROPOSED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
REVENUES:						
1	521.00 Metered Water Sales	\$ 10,786,457	\$ 65,351	\$ 10,851,808	\$ (1,085,500)	\$ 9,766,308
2	522.00 Water Sales - Unmetered	-	-	-	-	-
3	536.00 Other Operating Revenue	502,206	-	502,206	-	502,206
4	Total Operating Revenues	\$ 11,288,663	\$ 65,351	\$ 11,354,014	\$ (1,085,500)	\$ 10,268,514
OPERATING EXPENSES:						
5	701.00 Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	710.00 Purchased Wastewater Treatment	-	-	-	-	-
7	711.00 Sludge Removal Expense	286,429	(7,688)	278,741	-	278,741
8	715.00 Purchased Power	688,557	26,003	714,560	-	714,560
9	716.00 Fuel for Power Production	-	-	-	-	-
10	718.00 Chemicals	147,196	-	147,196	-	147,196
11	720.00 Materials and Supplies	32,762	-	32,762	-	32,762
12	731.00 Contractual Services	4,826,240	(9,022)	4,817,218	-	4,817,218
13	Repairs and Maintenance	116,474	-	116,474	-	116,474
14	740.00 Rents	48,151	-	48,151	-	48,151
15	750.00 Transportation Expenses	-	-	-	-	-
16	755.00 Insurance	21,039	-	21,039	-	21,039
17	765.00 Regulatory Commission Expense - Rate Case	33,333	-	33,333	-	33,333
18	775.00 Miscellaneous Expense	231,593	(993)	230,600	-	230,600
19	403.00 Depreciation Expense	3,142,068	(1,064,992)	2,077,076	-	2,077,076
20	408.00 Taxes Other Than Income	6,525	-	6,525	-	6,525
21	408.11 Property Taxes	785,281	(43,990)	741,291	(23,365)	717,926
22	409.00 Income Taxes	330,522	(330,522)	-	-	-
25	Total Operating Expenses	10,696,170	(1,431,205)	9,264,965	(23,365)	9,241,600
26	Operating Income (Loss)	\$ 592,491	\$ 1,496,556	\$ 2,089,049	\$ (1,062,135)	\$ 1,026,914
27						
28	Other Income (Expense):					
29	427.00 Interest Expense	\$ 42,710	\$ (5,960)	\$ 36,750	\$ -	\$ 36,750
30	Net Profit (Loss)	\$ 549,781	\$ 1,502,516	\$ 2,052,297	\$ -	\$ 990,164

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-13
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-1
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ.#1 Flat Rate Revenues	[C] ADJ.#2 Sludge Removal	[D] ADJ.#3 Purchased Power	[E] ADJ.#4 Deferred Exp	[F] ADJ.#5 Miscellaneous Exp	[G] ADJ.#6 Dep Exp	[H] ADJ.#7 Prop Tax	[I] ADJ.#8 Income Tax	[J] ADJ.#9 Synch Int	[K] STAFF ADJUSTED
REVENUES:												
1	521.00 Flat Rate Revenues	\$ 10,786,457	\$ 65,351	-	-	-	-	-	-	-	-	-
2	522.00 Measured Revenues	502,206	-	-	-	-	-	-	-	-	-	-
3	536.00 Other Operating Revenue	11,288,663	-	-	-	-	-	-	-	-	-	-
4	Total Operating Revenues		\$ 65,351	-	-	-	-	-	-	-	-	10,851,809
5			\$ -	-	-	-	-	-	-	-	-	502,206
6	OPERATING EXPENSES:											11,354,014
7	701.00 Salaries and Wages	\$ -	\$ -	-	-	-	-	-	-	-	-	-
8	710.00 Purchased Wastewater Treatment	-	-	-	-	-	-	-	-	-	-	-
9	711.00 Sludge Removal Expense	286,429	(7,688)	-	-	-	-	-	-	-	-	278,741
10	715.00 Purchased Power	688,557	-	26,003	-	-	-	-	-	-	-	714,560
11	716.00 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-
12	718.00 Chemicals	147,196	-	-	-	-	-	-	-	-	-	147,196
13	720.00 Materials and Supplies	32,762	-	-	-	-	-	-	-	-	-	32,762
14	731.00 Contractual Services	4,826,240	-	(9,022)	-	-	-	-	-	-	-	4,817,218
15	Repairs and Maintenance	116,474	-	-	-	-	-	-	-	-	-	116,474
16	Rents	48,151	-	-	-	-	-	-	-	-	-	48,151
17	750.00 Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-
18	755.00 Insurance	21,039	-	-	-	-	-	-	-	-	-	21,039
19	Regulatory Commission Expense - Rate Cat:	33,333	-	-	-	-	-	-	-	-	-	33,333
20	775.00 Miscellaneous Expense	231,593	-	-	-	-	-	-	-	-	-	230,600
21	403.00 Depreciation Expense	3,142,068	-	-	-	(993)	-	(1,064,992)	-	-	-	2,077,075
22	408.00 Taxes Other Than Income	6,525	-	-	-	-	-	-	-	-	-	6,525
23	408.11 Property Taxes	785,281	-	-	-	-	-	-	(43,990)	-	-	741,291
24	Income Taxes	330,522	-	-	-	-	-	-	-	(330,522)	-	-
25	Total Operating Expenses	10,695,170	\$ -	\$ (7,688)	\$ 26,003	\$ (9,022)	\$ (993)	\$ (1,064,992)	\$ (43,990)	\$ (330,522)	\$ -	9,264,865
26	Operating Income (Loss)	\$ 592,491	\$ 65,351	\$ 7,688	\$ (26,003)	\$ 9,022	\$ 993	\$ 1,064,992	\$ 43,990	\$ 330,522	\$ -	2,089,047
27												
28	Other Income (Expense):	\$ 42,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	36,750
29	427.00 Interest Expense	\$ -	\$ -	\$ -	\$ (26,003)	\$ 9,022	\$ 993	\$ 1,064,992	\$ 43,990	\$ 330,522	\$ (5,960)	2,052,297
30	Net Profit (Loss)	\$ 549,781	\$ 65,351	\$ 7,688	\$ (26,003)	\$ 9,022	\$ 993	\$ 1,064,992	\$ 43,990	\$ 330,522	\$ (5,960)	2,052,297

Johnson Utilities L.L.C. - Wastewater Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW15

OPERATING INCOME ADJUSTMENT NO. 1 - INCREASE METERED WATER REVENUES

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	461.00	Metered Water Revenues	\$ 10,786,457	\$ 65,351	\$ 10,851,808

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 2 - DECREASE SLUDGE REMOVAL EXPENSE FOR INVOICES OUTSIDE TEST YEAR

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	711.00	Sludge Removal Expense	\$ 286,429	\$ (7,688)	\$ 278,741
2					
3		Invoices out of Test Year			
4					
5	Account ID	Trans Description	Debit Amt		
6	717.00	CT ENVIRONMENTAL SERVICES - Bin service 1/1/08-1/31/08	\$	248.00	
7	717.00	CT ENVIRONMENTAL SERVICES - Bin service 1/1/08-1/31/08		248.00	
8	717.00	CT ENVIRONMENTAL SERVICES - bin Service 1/1/08-1/31/08		248.00	
9	717.00	CT ENVIRONMENTAL SERVICES - Bin Service 1/3/08-1/31/08		654.60	
10	717.00	CT ENVIRONMENTAL SERVICES - Bin spotting 1/2/08		499.56	
11	717.00	CT ENVIRONMENTAL SERVICES - Bin Spotting 1/22/08		447.70	
12	717.00	CT ENVIRONMENTAL SERVICES - Bin spotting 1/25/08		288.00	
13	717.00	CT ENVIRONMENTAL SERVICES - Bin spotting 1/29/08		459.91	
14	717.00	CT ENVIRONMENTAL SERVICES - Bin spotting 1/3/08		702.53	
15	717.00	CT ENVIRONMENTAL SERVICES - bin spotting 1/30/08		300.72	
16	717.00	CT ENVIRONMENTAL SERVICES - Bin spotting 1/31/08		285.57	
17	717.00	CT ENVIRONMENTAL SERVICES - Onsite shuttling of bin 1/22/08		509.54	
18	717.00	CT ENVIRONMENTAL SERVICES - Onsite shuttling of bin 1/3/08		436.23	
19	717.00	CT ENVIRONMENTAL SERVICES - Transport of bin 1/29/08		733.68	
20	717.00	CT ENVIRONMENTAL SERVICES - Transport of bin 1/29/08		999.80	
21	717.00	CT ENVIRONMENTAL SERVICES - Transport of bin 1/3/08		451.07	
22	717.00	CT ENVIRONMENTAL SERVICES - Transport to site		175.43	
23	Total		\$	7,688.34	

References:

Column (A), Company Schedule C-1

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)

Johnson Utilities L.L.C. - Wastewater Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW17

OPERATING INCOME ADJUSTMENT NO. 3 - INCREASE PURCHASED POWER

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	715.00	Purchased Power	\$ 688,557	\$ 26,003	\$ 714,560
2					
3		Staff Calculation of SRP - Customer Deposits:			
4					
5	<u>Account ID</u>	<u>Trans Description</u>	<u>Debit Amt</u>		
6	715.00	SALT RIVER PROJECT - 801-041-002 28704 N Main Street	\$ 507.84		
7	715.00	SALT RIVER PROJECT - 008-042-003 939 E Clubhouse Lane	2,200.00		
8	715.00	SALT RIVER PROJECT - 787-171-003 1995 E Bella Vista Road	9,659.14		
9	715.00	SALT RIVER PROJECT - 433-941-000 1913 W Hash Knife Drive	9,360.00		
10	715.00	SALT RIVER PROJECT - 940-871-009 9776 E Judd Road	4,275.76		
11	Total		\$ 26,002.74		

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT NO. 4 -CURRENT YEAR DEFERRED EXPENSES

Line No.	ACCT NO.	Description	[A]		[B]		[C]	
			COMPANY PROPOSED		STAFF ADJUSTMENTS		STAFF RECOMMENDED	
1	Outside Services	Outside Services	\$	4,826,240	\$	(9,022)	\$	4,817,218
2								
3								
4		2007 expenses for Legal and Accounting Fees included in deferred assets:	Invoice totals					
5		Legal Fees for Capital Issues	\$	5,967				
6		Legal Fees for Town of Florence		83,043				
7		Legal Fees for Rate Case Expense		25,755				
8		Utility Contracting Services LLC for Main Extension Agreements		90,000				
9		Accounting Fees		15,514				
10		Total Deferred Expenses	\$	220,279				
11								
12		Deferred Expenses that can not be reclassified as current year expenses:	Invoice totals					
13		Legal Fees for Town of Florence	\$	83,043				
14		Utility Contracting Services LLC for Main Extension Agreements		90,000				
15		Accounting Fees		3,140				
16		Total	\$	176,182				
17								
18								
19		Deferred Expenses that have been reclassified as current year expenses:	Invoice totals		Allocation Percentage		Allocation Percentage	
20		Accounting Fees:			Water Division		Wastewater Division	
21					0.5388		0.4612	
21	Account ID	Trans Description	Debit Amt		Water Division		Wastewater Division	
22	632.80	THOMAS J. BOURASSA, CPA - OUTSIDE ACCOUNTING	\$	748	\$	748	\$	-
23	632.80	THOMAS J. BOURASSA, CPA - OUTSIDE ACCOUNTING		748.32		748		-
24	632.80	THOMAS J. BOURASSA, CPA - Revise Cash Flow Analysis		4,002.60		4,003		-
25	632.80	THOMAS J. BOURASSA, CPA - Meetings w/ Town of Florence		2,205.00		2,205		-
26	832.80	THOMAS J. BOURASSA, CPA - Rate case mting w/G-B-D		422.10		227		195
27	832.80	THOMAS J. BOURASSA, CPA - Mtg @ JUC/ year-end 2006 finar		1,831.20		987		845
28	832.80	THOMAS J. BOURASSA, CPA - Rate Case/Issues on unexpende		2,417.10		1,302		1,115
29	832.80	Salquist - Capital Issues		5,966.90		3,215		2,752
30		Total Deferred Expenses reclassified to Outside Service	\$	18,342	\$	13,436	\$	4,906
31								
32		Remove Amortization Expense from Outside Services						
33	Account ID	Trans Description	Debit Amt		Water Division		Wastewater Division	
34	632.80	amortize eng/legal/acctg/adm costs for 07			\$	765		
35	732.80	amortize eng/legal/acctg/adm costs for 07					\$	554
36	633.00	amortize eng/legal/acctg/adm costs for 07				18,470		
37	733.00	amortize eng/legal/acctg/adm costs for 07						13,374
38		Total Adjustment			\$	19,234	\$	13,928
39								
40		Adjustment Totals for Water and Wastewater Division					\$	(9,022)

References:

Column (A), Company Schedule C-1

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT NO. 5 - MISCELLANEOUS EXPENSE

Line No.	ACCT NO.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	657.00	Miscellaneous Expense	\$ 231,593	\$ (993)	\$ 230,600
2					
3		Staff Calculation:			
4				Allocation Percentage	Allocation Percentage
5				Water Division	Wastewater Division
6		Sponsorships:		0.5388	0.4612
7	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
8	857.00	VAQUERO FOUNDATION - Drawing of \$10,000 Savings bor	150.00		
9	857.00	ART CARDS BY LYNN - The Davis Cheney Art Gallery	200.00	188.58	161.42
10	860.00	Oasis Golf Club Scramble Tourm - Oasis Golf Club Scramble	200.00		
11	860.00	ACYFL - Per Brian Contribution	1,000.00		
12	860.00	FLORENCE CHAMBER OF - Casino Night Donation	300.00	808.20	691.80
13	820.20	FLORENCE CHAMBER OF - Annual Membership Dues	150.00	80.82	69.18
14	Subtotal		2,000.00	1,077.60	922.40
15					
16		Lobbying Expenses:			
17	Account ID	Trans Description	Debit Amt	Water Division	
18	636.00	R&R PARTNERS - GPA RETAINER	2,503.19	2,503.19	
19	636.00	R&R PARTNERS - Retainer- GPA Feb 07	2,500.00	2,500.00	
20	636.00	R&R PARTNERS - Government Affairs Consulting March	2,501.18	2,501.18	
21	636.00	R&R PARTNERS - GPA Retainer	2,500.00	2,500.00	
22	636.00	R&R PARTNERS - GPA Retainer May 2007	2,500.00	2,500.00	
23	636.00	R&R PARTNERS - GPA Retainer June	2,522.56	2,522.56	
24	636.00	R&R PARTNERS - Government Affairs Consulting	2,500.00	2,500.00	
25	636.00	R&R PARTNERS - GPA Retainer Aug 2007	2,500.00	2,500.00	
26	636.00	R&R PARTNERS - GPA Retainer Sept 07	2,505.17	2,505.17	
27	636.00	R&R PARTNERS - Oct 07 Government Affairs Consulting	2,500.00	2,500.00	
28	636.00	R&R PARTNERS - GPA Retainer	2,500.00	2,500.00	
29	636.00	R&R PARTNERS - Government Affairs Consulting	2,500.00	2,500.00	
30	Subtotal		30,032.10	30,032.10	
31					
32		Food & Entertainment:			
33	Account ID	Trans Description	Debit Amt	Water Division	Wastewater Division
34	896.00	NATIONAL BANK OF ARIZONA - Great Alaskan Broasted	70.45		
35	896.00	NATIONAL BANK OF ARIZONA - Meals/Entertainment	82.96		
36	Subtotal		153.41	82.66	70.75
37					
38	Total Column B (Lines12+28+34)				993.15

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

		[A]	[B]	[C]
Line No.	Description	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Depreciation Expense	\$ 3,142,068	\$ (1,064,992)	\$ 2,077,076
2				
3	Staff Calculation of Depreciation Expense:			
4				
5				
6	Acct.	Staff Adjusted		
7	No. Description	Original Cost	Proposed Rate	Depreciation Expense
8	351 Organization Cost	\$ -	0.00%	\$ -
9	352 Franchise Cost	-	0.00%	-
10	353 Land & Land Rights	3,554,435	0.00%	-
11	354 Structures & Improvements	394,177	3.33%	13,126
12	360 Collection Sewers, Force	15,032,806	2.00%	300,656
13	361 Collection Sewers, Gravity	20,697,270	2.00%	413,945
14	363 Services	-	2.00%	-
15	364 Flow Measuring Devices	-	10.00%	-
16	365 Flow Measuring Installations	-	10.00%	-
17	371 Effluent Pumping Equipment	6,283,362	12.50%	785,420
18	375 Reuse Trans & Distribution	790,883	2.50%	19,772
19	380 Treatment & Disposal Equip	-	5.00%	-
20	381 Plant Sewers	46,234,280	5.00%	2,311,714
21	382 Outfall Sewer Lines	-	3.33%	-
22	389 Other Plant Structures & Improv	-	6.67%	-
23	390 Office Furniture & Fixt	-	6.67%	-
24	391 Transportation Equip	-	20.00%	-
25	393 Tools, Shop, & Garage Equip	-	5.00%	-
26	394 Laboratory Equipment	-	10.00%	-
27	395 Power Operated Equip	-	5.00%	-
28	396 Communications Equipment	-	10.00%	-
29	397 Miscellaneous Equipment	-	10.00%	-
30	398 Other Tangible Plant	-		-
31	Total	\$ 92,987,213		\$ 3,844,634
32				
33	Depreciable Plant	89,432,778		
34				
35	Composite CIAC Amortization Rate	4.30%		
36				
37	Less: Amortization of Contributions	\$ 41,116,419	4.2989%	\$ 1,767,558
38				
39	Staff Recommended Total Depreciation Expense			\$ 2,077,076
40				
41	Company Proposed Test Year Depreciation Expense			\$ 3,142,068
42				
43	Staff Recommended Adjustment to increase Depreciation Expense			\$ (1,064,992)

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

OPERATING ADJUSTMENT NO. 7 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2005	\$ 11,354,014	\$ 11,354,014
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 22,708,028	\$ 22,708,028
4	Staff Recommended Revenue	11,354,014	\$ 10,268,514
5	Subtotal (Line 4 + Line 5)	\$ 34,062,042	\$ 32,976,542
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 11,354,014	\$ 10,992,181
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 22,708,028	\$ 21,984,361
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 22,708,028	\$ 21,984,361
13	Assessment Ratio	23%	23%
14	Assessment Value (Line 12 * Line 13)	\$ 5,222,846	\$ 5,056,403
15	Composite Property Tax Rate - Obtained from Company	14.0380%	14.0380%
16	Staff Recommended Property Tax Expense (Line 14 * Line 15)	\$ 733,183	\$ 709,818
17	Tax on Parcel	8,108	8,108
18	Staff Test Year Adjusted Property Tax Expense	\$ 741,291	\$ 717,926
19	Company Property Tax Expense	785,281	
20	Staff Recommended Adjustments	\$ (43,990)	
21	Property Tax - Staff Recommended Revenue		\$ 717,926
22	Staff Test Year Adjusted Property Tax Expense		741,291
23	Decrease in Property Tax Due to decrease in Revenue Requirement		\$ (23,365)

REFERENCES:

Line 15: Actual Tax Rate obtained from Company
Line 19: Company Schedule C-1
Line 20: Line 19 - Line 18
Line 23: Line 22 - Line 21

Johnson Utilities L.L.C. - Wastewater Division
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Surrebuttal Schedule JMM-WW22

OPERATING ADJUSTMENT NO. 8 - INCOME TAX

Line No.	ACCT NO.	Description	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	409.00	Income Taxes	\$ 330,522	\$ (330,522)	\$ -

References:

Column (A), Company Schedule C-1

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)

Johnson Utilities L.L.C. - Wastewater Division
Docket No. WS-02987A-08-0180
Test Year Ended December 31, 2007

Surrebuttal Schedule JMM-WW23

OPERATING ADJUSTMENT NO. 9 - REMOVE INTEREST SYNCHRONIZATION

Line No.	ACCT NO.	Description	[A]	[B]	[C]
			COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	427.00	Interest Expense	\$ 42,710	\$ (5,960)	\$ 36,750

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

RATE DESIGN

Monthly Minimum Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
Meter Sizes (All Zones and Classes)			
5/8 Inch	\$ 35.00	\$ 42.30	31.6900
3/4 Inch	38.50	46.52	34.8640
1 Inch	49.00	59.21	44.3500
1 1/2 Inch	63.00	76.13	57.0339
2 Inch	101.50	122.66	91.8900
3 Inch	385.00	465.25	348.5400
4 Inch	735.00	888.20	665.4000
6 Inch	1,015.00	1,226.57	918.8800
8 Inch	N/A	1,550.67	1,161.5000
10 inch	N/A	2,481.07	1,858.5800
Effluent per 1,000 gallons	\$ 0.62	\$ 0.62	0.5613
per acre foot	\$ 200.00	\$ 200.00	181.0600
Service Charges			
Establishment	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After hours)	40.00	40.00	40.00
Deposit Requirement (Residential)	(a)	(a)	(a)
Deposit Requirement (Non Residential Meter)	(a)	(a)	(a)
Deposit Interest	(b)	(b)	(b)
Re-Establishment (Within 12 months)	(c)	(c)	(c)
Re-Establishment (After Hours)	(c)	(c)	(c)
NSF Check	15.00	15.00	15.00
Deffred Payment, Per Month	1.50%	1.50%	1.50%
After Hours service charge, per Rule R14-2-603D	Refer to Above Charges	Refer to Above Charges	Refer to Above Charges
Late Charge per month	40.00	40.00	40.00
Service Line Connection Charge	350.00	350.00	350.00
Main Extension Tariff, per Rule R14-2-606B			
except refunds shall be based upon five percent (5%) of gross revenues from bonafide customers,	Cost	Cost	Cost
until all advances are fully refunded to Developer.	(d)	(d)	N/A
Off-site Facilities Hook-up Fee			

- (a) Residential - two times the estimated average monthly bill. Non-residential - two and one-half times the estimated maximum monthly bill.
- (b) Interest per Rule R14-2-603(B).
- (c) Minimum charge times number of full months off the system. per Rule R14-2-603(B).
- (d) New water installations. May be assessed only once per parcel, service connection, or lot within a sub-division. Purpose is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage, and pressure among all new service connections.
- (e) New wastewater installations. May be assessed only once per parcel, service connection, or lot within a sub-division.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
JOHNSON UTILITIES, LLC, DBA JOHNSON)
UTILITIES COMPANY FOR AN INCREASE IN)
ITS WATER AND WASTEWATER RATES FOR)
CUSTOMERS WITHIN PINAL COUNTY,)
ARIZONA.)
_____)

DOCKET NO. WS-02987A-08-0180

SURREBUTTAL

TESTIMONY

OF

MARLIN SCOTT, JR

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 31, 2009

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**SURREBUTTAL SUMMARY
JOHNSON UTILITIES, L.L.C., DBA
JOHNSON UTILITIES COMPANY
DOCKET NO. W-02987A-08-0180**

CONCLUSIONS

- A. Staff still concludes that the Johnson Utilities Company ("Company") – Water Division and Wastewater Division have plant facilities that are not used and useful in the amount of \$4,127,019 and \$4,595,298, respectively.
- B. Staff still recommends that the Company conduct a water system monitoring exercise and submit a water loss report.
- C. Staff still concludes that the Company – Water Division and Wastewater Division have excess capacity in the amount of \$1,127,065 and \$5,443,062, respectively.

1 **INTRODUCTION**

2 **Q. Please state your name, place of employment and job title.**

3 A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation
4 Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix,
5 Arizona 85007. My job title is Utilities Engineer.

6
7 **Q. Are you the same Marlin Scott, Jr. who submitted direct testimony on behalf of the**
8 **Utilities Division?**

9 A. Yes.

10
11 **Q. What was the purpose of that testimony?**

12 A. My direct testimony provided the Utilities Division Staff's ("Staff") engineering
13 evaluation of Johnson Utilities Company ("Company") for this proceeding.

14
15 **Q. What is the purpose of your surrebuttal testimony?**

16 A. To provide Staff's response to the Company's rebuttal testimony on three issues; 1) utility
17 plant not used and useful, 2) excess capacity, and 3) water loss.

18
19 **WATER DIVISION**

20 **Water Plant Items Not Used And Useful**

21 **Q. Have you reviewed the rebuttal testimony of Brian Tompsett regarding water plant**
22 **items not used and useful in this case?**

23 A. Yes.

1 **Q. What was Mr. Tompsett's conclusion regarding these water plant items?**

2 A. Mr. Tompsett agreed with all of Staff's water plant adjustments that were considered not
3 used and useful with the exception of one item – the 4 miles of 12-inch main north of
4 Ricke Water Plant at a cost of \$731,125. As a summary, Staff's list of plant items
5 considered not used and useful are as follows:
6

Acct. No.	Plant item	Year	Cost
307	Land – Ellsworth Wells 1, 2, & 3	2001	\$40,000
307	Anthem Well #3	2006	740,536
307	Anthem Well #4	2006	745,755
307	Crestfield Manor Well #1	2006	526,273
331	Mains – San Tan Well #1 (Company incorrectly recording this well into this Mains account.)	2002	21,858
331	Mains – 4 miles of 12-inch main north of Ricke Water Plant	2007	731,125
331	Mains – Magma 2 subdivision, approximately 1/3 built out.	2005	405,322
331	Mains – Quail Run Estates Subdivision	2005	824,322
331	Mains – Circle Cross – Parcel 12	2005	91,828
Total:			\$4,127,019

7
8 Mr. Tompsett stated that the 4-mile main was constructed to serve the Silverado Ranch
9 Development, but the homes have not been constructed. Mr. Tompsett believes this 4-
10 mile main should be considered used and useful because this water main was constructed
11 as required by a Master Utility Agreement.
12

13 **Q. Does Staff agree with Mr. Tompsett's position that this 4-mile main should be**
14 **considered used and useful?**

15 A. No.

1 **Q. Why not?**

2 A. As stated and confirmed by Mr. Tompsett, the constructed 4-mile main is not serving
3 customers. Therefore, this 4-mile water main is not used and useful.
4

5 **Water Plant Items Having Excess Capacity**

6 **Q. Have you reviewed the rebuttal testimony of Mr. Tompsett regarding excess capacity**
7 **for water plant items?**

8 A. Yes.
9

10 **Q. What was Mr. Tompsett's conclusion regarding excess capacity for the water plant**
11 **items?**

12 A. Mr. Tompsett did not agree with Staff's position that the Anthem water system has excess
13 capacity. As a summary, Staff's list of plant items considered excess capacity is as
14 follows:
15

Acct. No.	Plant item	Year	Cost
307	Wells & Springs Anthem – Rancho Sendero #1 - Well	2005	433,238
330	Distribution Reservoirs & Standpipes Anthem – Rancho Sendero WP – 0.5 MG	2006	693,827
	Total:		\$1,127,065

16
17 Mr. Tompsett stated that Staff underestimated the growth projection by using its 185 new
18 service connections per year and believes that his growth rate of 366 customers per year
19 should be used to evaluate the well and storage capacities.

1 **Q. Does Staff agree with Mr. Tompsett's position that the Anthem water system does**
2 **not have excess capacity?**

3 A. No.
4

5 **Q. Why not?**

6 A. Staff acknowledges that it used a growth projection of 185 new service connections per
7 year in its initial system calculation. However, in the conclusion of its system analysis,
8 Staff included two wells, at 600 gallons per minute ("GPM") and 300 GPM, for a total of
9 900 GPM. This total well capacity of 900 GPM could serve up to 2,571 service
10 connections (900 GPM divided by 0.35 GPM per service connection). If the 2,571 is
11 adjusted to subtract the 857 customer base for the test year, the result is 1,714, which
12 equates to 342 new service connections per year for the next five years. Therefore, as a
13 result, the allowed well capacity of 900 GPM is sufficient to add 342 new service
14 connections per year for a five year period.
15

16 For the storage capacity analysis, Mr. Tompsett provided the Arizona Administrative
17 Code, R-18-5-503, for the storage requirement. Mr. Tompsett, however, provided and
18 used only half of the rule requirement in his rebuttal. The complete storage requirement
19 rule is as follows:
20

21 **R18-5-503. Storage Requirements**
22

23 A. The minimum storage capacity for a community water system ("CWS") or a
24 noncommunity water system that serves a residential population or a school shall be equal
25 to the average daily demand during the peak month of the year. Storage capacity may be
26 based on existing consumption and phased as the water system expands.
27

28 B. The minimum storage capacity for a multiple-well system for a CWS or a
29 noncommunity water system that serves a residential population or a school may be
30 reduced by the amount of the total daily production capacity minus the production from
31 the largest producing well.

1 If Staff substitutes its initial growth projection of 185 new service connections per year
2 with its actual 342 new service connection per year, and applies Part B of the rule above,
3 the storage requirement for a five year period is:

$$\begin{aligned} & \text{SC} = \text{fire flow requirements} + \text{consumption} - \text{sum of wells with largest well out of} \\ & \text{service} \\ & = (1,000 \text{ GPM @ 2 hours}) + ((857 + (342 \times 5) \times 400) - 300 \text{ GPM}) \\ & = 120,000 \text{ GPD} + 1,026,800 \text{ GPD} - 432,000 \text{ GPD} \\ & = 714,800 \text{ GPD} \end{aligned}$$

10
11 Therefore, it is Staff's opinion that the 1,000,000 gallon storage tank is sufficient for a five
12 year period.

13
14 **Q. What other proof shows that the Anthem water system does have excess capacity?**

15 **A.** In his rebuttal testimony, Mr. Tompsett used his adopted projected growth of 366
16 customers per year to analyze the well and storage capacities. For his well capacity
17 analysis, Mr. Tompsett calculated that 940 GPM (2,687 customers x 0.35) would be
18 required within a five year period. The Anthem system has three wells; 600 GPM, 300
19 GPM and another 600 GPM, totaling to 1,500 GPM. Based on Mr. Tompsett's own
20 calculation, this water system still shows that one well is not needed at this time, the 300
21 GPM well. Therefore, this water system has excess well capacity.

22
23 As for the storage capacity analysis, Mr. Tompsett used his adopted projected growth of
24 366 new service connections per year to calculate his storage requirement of 1,194,800
25 gallons $((857 + (366 \times 5)) \times 400$ plus 120,000 gallons for fire flow). However, Mr.
26 Tompsett did not apply Part B of the storage requirement rule above. If Part B is applied,

1 and removing the 300 GPM well as excess capacity, the storage requirement within a five
2 year period is:

3
4 SC = fire flow requirements + consumption – sum of wells with largest well out of
5 service

6 = (1,000 GPM @ 2 hours) + ((857+(366 x 5) x 400)) – 600 GPM

7 = 120,000 GPD + 1,074,800 GPD – 864,000 GPD

8 = 330,800 GPD
9

10 As a result, in Mr. Tompsett's scenario, with two wells totaling 1,200 GPM, a 500,000
11 gallon storage tank would be sufficient.
12

13 **Water Loss for the Johnson Ranch System**

14 **Q. Have you reviewed the rebuttal testimony of Mr. Tompsett regarding the water loss**
15 **for the Johnson Ranch System?**

16 A. Yes.
17

18 **Q. What was Mr. Tompsett's conclusion regarding this water loss?**

19 A. Mr. Tompsett did not agree with Staff's water loss percentage of 19.4 % and claimed that
20 the Company's reported gallons sold of 1,965,312,000 gallons did not include
21 construction water sales and irrigation water sales. Mr. Tompsett further stated that after
22 adjusting for the additional sales, the water loss was under 10 percent.
23

24 **Q. Did Mr. Tompsett's provide any documentation to support his claim?**

25 A. No.

1 **Q. What is Staff's response?**

2 A. Staff used the data from the Company's submitted Water Use Data Sheet to determine the
3 water loss percentage for its water loss recommendation and will continue to do so until
4 the Company can provide documentation to support its claim. Therefore, Staff continues
5 to recommend that the Company conduct a system monitoring exercise and submit a water
6 loss report.

7
8 **WASTEWATER DIVISION**

9 **Wastewater Plant Items Not Used And Useful**

10 **Q. Have you reviewed the rebuttal testimony of Mr. Tompsett regarding wastewater**
11 **plant items not used and useful in this case?**

12 A. Yes.

13
14 **Q. What was Mr. Tompsett's conclusion regarding these wastewater plant items?**

15 A. Mr. Tompsett agreed with a portion of Staff's wastewater plant adjustments that were
16 considered not used and useful with the exception of four items – three items related to the
17 Precision Water Reclamation Plant ("WRP"), totaling \$1,696,086, and the 4 miles of 8-
18 inch force main in the Magma development at a cost \$690,186. As a summary, Staff's list
19 of plant items considered not used and useful is as follows:

Acct. No.	Plant item	Year	Cost
354	Structures & Improvements		
	Precision WRP – Marwood plant	2001	14,491
381	Plant Sewers		
	Precision WRP – Marwood plant	2001	5,749
381	Plant Sewers		
	Precision WRP – Marwood plant	2005	1,675,846
360	Collection Sewers – Force in Magma	2007	690,186
	Approximately 4 miles of 8-inch		
381	Plant Sewers – Magma 2 Subdivision	2005	473,527
	Approximately 1/3 built out.		
381	Plant Sewers – Quail Run Estates Sub.	2005	846,092
360	Collection Sewers – Ironwood Crossing #2	2006	889,407
	Total:		\$4,595,298

Mr. Tompsett stated that the Precision WRP was constructed to meet ADEQ requirements by requiring the WRP's capacity to be fully constructed and "operational" prior to subdivision approvals. However, Mr. Tompsett also stated that this WRP is not currently in use.

Mr. Tompsett stated that the 4-mile force main was constructed to serve the Silverado Ranch Development, but the homes have not been constructed. Mr. Tompsett believes this 4-mile force main should be considered used and useful because this wastewater main was constructed as required by a Master Utility Agreement.

Q. Does Staff agree with Mr. Tompsett's position that the Precision WRP and the 4-mile force main should be considered used and useful?

A. No.

1 **Q. Why not?**

2 A. As stated and confirmed by Mr. Tompsett, the constructed Precision WRP is not in
3 operation and the constructed 4-mile force main is not serving customers. Therefore, the
4 Precision WRP and the 4-mile force wastewater main are not used and useful.

5
6 **Wastewater Plant Items Having Excess Capacity**

7 **Q. Have you reviewed the rebuttal testimony of Mr. Tompsett regarding excess capacity**
8 **for wastewater plant items?**

9 A. Yes.

10
11 **Q. What was Mr. Tompsett's conclusion regarding excess capacity?**

12 A. Mr. Tompsett did not agree with Staff's position that the San Tan WRP had excess
13 capacity. As a summary, Staff's plant item considered excess capacity is as follows:

14
15

Acct. No.	Plant item	Year	Cost
381	Plant Sewers San Tan WRP – Phase II (Half of the 2.0 MGD WRP is not needed at this time.)	2006	5,443,062
Total:			\$5,443,062

16
17 Mr. Tompsett believes there is no excess wastewater treatment capacity at this time
18 because the San Tan WRP's capacity is now needed and will be put to use in late 2009.
19

1 **Q. Does Staff agree with Mr. Tompsett's position that the San Tan WRP does not have**
2 **excess capacity?**

3 A. No.

4
5 **Q. Why not?**

6 A. For the test year ending 2007, the Company submitted Wastewater Flow Data Sheets
7 ("WFDS") for all of its four WRPs – Pecan, San Tan, Section 11 and Anthem – to show
8 the capacity operation of each WRP. Based on these WFDS, Staff determined that the San
9 Tan WRP had excess capacity during the test year.

10

11 Mr. Tompsett has acknowledged that the San Tan WRP has capacity that is not currently
12 being used and is proposing to redirect approximately 0.53 million gallon per day of flow
13 from the Pecan system to the San Tan system. Mr. Tompsett is proposing to upgrade
14 some lift stations and construct a new one-mile force main with a completion time frame
15 in late 2009. This new proposed construction would be almost two years beyond the test
16 year 2007 and would result in completely new flow data that would not match the test year
17 data. For this reason, it is Staff's position that its excess capacity conclusion for the San
18 Tan WRP should remain unchanged for the test year ending 2007.

19

20 **Q. Does this conclude your surrebuttal testimony?**

21 A. Yes